

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

| | | |
|--|--|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU-084260 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator Liberty Pioneer Energy Source, Inc. | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address 1411 East 840 North Orem, Utah 84097 | | 8. Lease Name and Well No. Federal 23-23 |
| 3b. Phone No. (include area code) 801-224-4771 | | 9. API Well No. 43-019-31607 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1,831' FSL & 1,856' FWL, NE/4 SW/4, At proposed prod. zone 585402X 4303843Y 38.881175 -110.015419 | | 10. Field and Pool, or Exploratory Exploratory |
| 14. Distance in miles and direction from nearest town or post office* 9.46 miles southeast of Green River, Utah. | | 11. Sec., T. R. M. or Blk. and Survey or Area Section 23, T22S, R17E, SLB&M |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,856' | 16. No. of acres in lease 1280 acres | 17. Spacing Unit dedicated to this well 40 acres |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A | 19. Proposed Depth 10,350' | 20. BLM/BIA Bond No. on file Pending |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,330.4' Ungraded Ground | 22. Approximate date work will start* 12/15/2008 | 23. Estimated duration 53 drilling |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

| | | |
|---|---|---------------------------|
| 25. Signature Don Hamilton | Name (Printed/Typed) Don Hamilton | Date 09/29/2008 |
| Title Agent for Liberty Pioneer Energy Source, Inc. | | |
| Approved by (Signature) | Name (Printed/Typed) | Date |
| Title | | Office |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

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OCT 01 2008
DIV. OF OIL, GAS & MINING

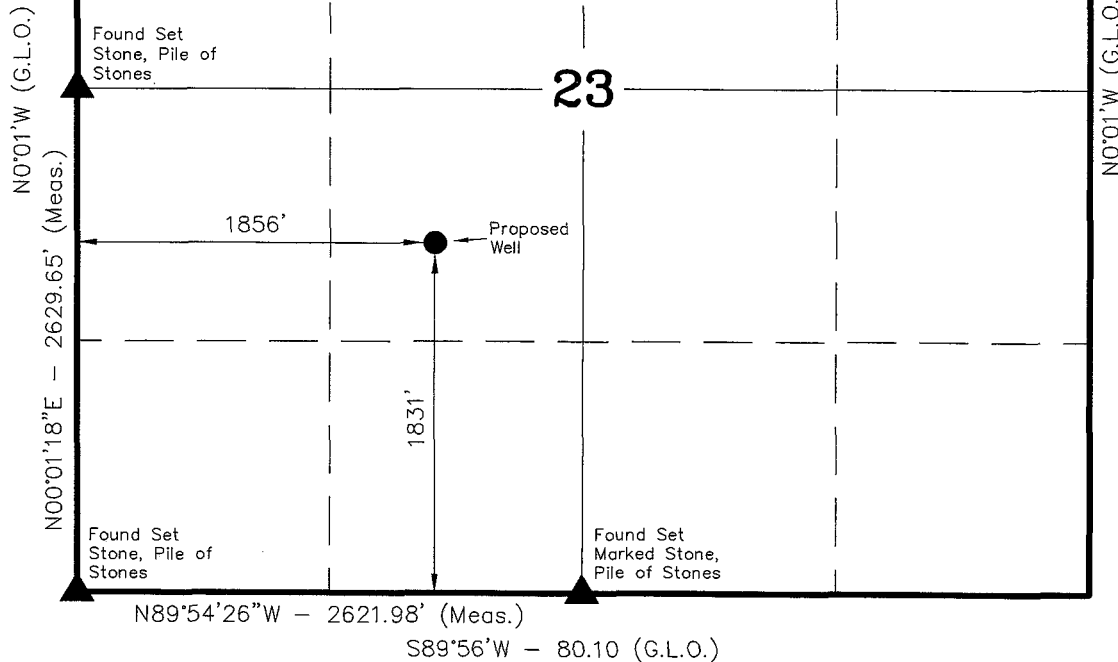
T22S, R17E, S.L.B.&M.

LIBERTY PIONEER ENERGY SOURCE

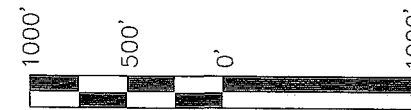
S89°59'W - 80.04 (G.L.O.)

WELL LOCATION:
FED 23-23

ELEV. UNGRADED GROUND = 4330.4'



WELL LOCATION, FED 23-23, LOCATED AS SHOWN IN THE NE 1/4 SW 1/4 OF SECTION 23, T22S, R17E, S.L.B.&M. GRAND COUNTY, UTAH.



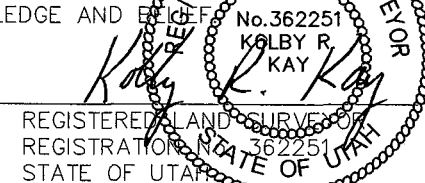
SCALE



NOTES:

1. Well footages are measured at right angles to the Section Lines.
2. G.L.O. distances are shown in feet or chains. 1 chain = 66 feet.
3. Bearings are based on Global Positioning Satellite observations.

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF LAND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.



▲ = SECTION CORNERS LOCATED
BASIS OF ELEVATION IS A SPOT ELEVATION AT THE NORTHEAST CORNER OF SECTION 2, T22S, R17E, S.L.B.&M. THE ELEVATION OF THIS SECTION CORNER IS SHOWN ON THE GREEN RIVER NE 7.5 MIN. QUADRANGLE AS BEING 4401'.

FED 23-23
(Proposed Well Head)
NAD 83 Autonomous
LATITUDE = 38° 52' 52.32"
LONGITUDE = 110° 00' 58.00"

TIMBERLINE

(435) 789-1365

ENGINEERING & LAND SURVEYING, INC.

38 WEST 100 NORTH - VERNAL, UTAH 84078

| | | |
|----------------------------|---------------------|--------------------|
| DATE SURVEYED: 08-13-08 | SURVEYED BY: B.J.S. | SHEET 2 OF 8 |
| DATE DRAWN: 08-22-08 | DRAWN BY: M.W.W. | |
| SCALE: 1" = 1000' | Date Last Revised: | |

December 10, 2008

Fluid Minerals Group
Bureau of Land Management
82 East Dogwood
Moab, Utah 84532

RE: Updated and Supplemental Information - Liberty Pioneer Energy Source, Inc.
Federal 23-23 – 1,831' FSL & 1,856' FWL, NE/4 SW/4,
Section 23, T22S, R17E, SLB&M Grand County, Utah

Dear Fluid Minerals Group:

On behalf of Liberty Pioneer Energy Source, Inc. (Liberty Pioneer), Buys & Associates, Inc. respectfully submits the enclosed updated information to replace the information previously submitted within the APD in response to your previously submitted deficiency letter. The following information has been attached:

- Updated Form 3 (APD) reflecting a revised TD depth;
- Updated Drilling Plan with changes made to reflect numerical consistency, a revised TD depth and better meet the requirements of Onshore Order #2.
- Updated BOP diagrams reflecting a 5,000 psi BOP and a 10,000 psi BOP

Thank you very much for your timely consideration of our submitted application. Please feel free to contact Daniel R. Gunnell of Liberty Pioneer at 801-224-4771 or myself should you have any questions or need additional information.

Sincerely,

Don Hamilton

Don Hamilton
Agent for Liberty Pioneer

cc: Diana Mason, Utah DOGM
Daniel R. Gunnell, Liberty Pioneer

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DIV. OF OIL, GAS & MINING

FILE COPY

LIBERTY PIONEER ENERGY SOURCE, INC.

**9 Point Drilling Plan
TIGHT HOLE**

**FEDERAL 23-23
1831' FSL & 1856' FWL
NESW, Section 23, T22S, R17E, 6th P.M.
Grand County, Utah
Lease #UTU-84260**

1. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

| <u>FORMATION</u> | <u>Top (MD)</u> |
|-------------------------|------------------------|
| Cedar Mountain | Surface |
| Morrison | 100 |
| Entrada | 2463 |
| Chinle | 3941 |
| Moenkopi | 4345 |
| Cutler | 4909 |
| Honaker Trail | 6349 |
| Paradox Formation | 7719 |
| Salt 1A | 7793 |
| Ismay | 7934 |
| Salt 1 | 7981 |
| Shale 1 | 8614 |
| Intermediate Casing Pt. | 8654 |
| Shale 2 | 8750 |
| Shale 4 | 9114 |
| Shale 10 | 9743 |
| Salt 12 | 10006 |
| Shale 12 | 10181 |
| Salt 13 | 10211 |
| Shale 14 | 10336 |
| Salt 15 | 10357 |
| Shale 18 | 10775 |
| Salt 20 | 10829 |
| Shale 20 | 11007 |
| Salt 21 | 11019 |
| Top Cane Creek Shale | 11143 |
| Cane Creek Shale B | 11167 |
| Base Cane Creek Sh. | 11233 |
| Salt 25 | 11295 |
| Shale 25 | 11341 |
| Shale 26 | 11399 |
| Pinkerton Trail | 11728 |
| TD | 11550 |

2. ESTIMATED DEPTHS OF ANTICIPATED WATER, OIL, GAS OR MINERAL BEARING FORMATIONS

| <u>FORMATION</u> | <u>DEPTH (MD)</u> | <u>SUBSTANCE</u> |
|----------------------|-------------------|------------------|
| Honaker Trail | 6349 | Gas/Oil |
| Ismay | 7934 | Gas/Oil |
| Shale 1 | 8614 | Gas/Oil |
| Shale 2 | 8750 | Gas/Oil |
| Shale 4 | 9114 | Gas/Oil |
| Shale 10 | 9743 | Gas/Oil |
| Shale 12 | 10181 | Gas/Oil |
| Shale 14 | 10336 | Gas/Oil |
| Shale 18 | 10775 | Gas/Oil |
| Shale 20 | 11007 | Gas/Oil |
| Top Cane Creek Shale | 11143 | Gas/Oil |
| Shale 25 | 11341 | Gas/Oil |
| Shale 26 | 11399 | Gas/Oil |
| TD | 11550 | |

Any usable water zones encountered will be adequately protected and reported. All usable water zones, potentially productive hydrocarbon zones, and valuable mineral zones will be reported and isolated.

3. PRESSURE CONTROL EQUIPMENT-Schematic attached

- A. **Surface BOP:**Thirteen and five/eights (13 5/8") inch double gate hydraulic BOP with thirteen and five/eights (13 5/8") inch annular preventer and 5000 psi wellhead. A PVT, Stroke Counter, and flow sensor will be installed to check for flow and monitor pit volume.

The blowout preventer will be equipped as follows:

Pressure Rating: 5000 psi

1. One (1) blind ram (above).
2. One (1) pipe ram (above).
3. Drilling spool with two (2) side outlets (choke side 3- inch minimum, kill side 2-inch minimum).
4. Kill line (2-inch minimum).
5. Two (2) kill line valves, one of which will be a check valve (2-inch minimum).
6. 3-inch (minimum) choke line.
7. Two (2) choke line valves (3-inch minimum).
8. Two (2) adjustable chokes one of which will be remote operated.
9. Pressure gauge on choke manifold.
10. Upper Kelly cock valve with handle available.
11. Full opening internal blowout preventer or drill pipe safety valve able to fit all connections.
12. Fill-up line above the uppermost preventer.

- B. Intermediate BOP:** Eleven (11") inch (minimum) triple gate hydraulic BOP with eleven (11") inch (minimum) annular preventer and 10,000 psi intermediate casing spool. A PVT, Stroke Counter, and flow sensor will be installed to check for flow and monitor pit volume.

The blowout preventer will be equipped as follows:

Pressure Rating: 10,000 psi

1. One (1) blind ram (above).
2. One (1) pipe ram (above).
3. Drilling spool with two (2) side outlets (choke side 3- inch minimum, kill side 2-inch minimum).
4. One (1) pipe ram (below).
5. Kill line (2-inch minimum).
6. Two (2) kill line valves, one of which will be a check valve (2-inch minimum).
7. 3-inch (minimum) choke line.
8. Two (2) choke line valves (3-inch minimum) one of which will be remote operated.
9. Two (2) adjustable chokes one of which will be remote operated.
10. Pressure gauge on choke manifold.
11. Upper Kelly cock valve with handle available.
12. Full opening internal blowout preventer or drill pipe safety valve able to fit all connections.
13. Fill-up line above the uppermost preventer.

C. Testing Procedure:

Annular Preventer

At a minimum, the annular preventer will be pressure tested to 50% of the rated working pressure for a period of ten (10) minutes or until provisions of the test are met, whichever is longer.

At a minimum, the above pressure test will be performed:

1. When the annular preventer is initially installed;
2. Whenever any seal subject to test pressure is broken;
3. Following related repairs; and
4. At thirty (30) day intervals.

In addition to the above, the annular preventer will be functionally operated at least weekly.

Blow-Out Preventer

At a minimum, the BOP, choke manifold, and related equipment will be pressure tested to the approved working pressure of the BOP stack (if isolated from the surface casing by a test plug) or to 70% of the internal yield strength of the surface casing (if the BOP is not isolated from the casing by a test plug). Pressure will be maintained for a period of at least ten (10) minutes or until the requirements of the test are met, whichever is longer.

At a minimum, the above pressure test will be performed:

1. When the BOP is initially installed;
2. Whenever any seal subject to test pressure is broken;
3. Following related repairs; and
4. At thirty (30) day intervals.

In addition to the above, the pipe and blind rams will be activated each trip, but not more than once each day. All BOP drills and tests will be recorded in the IADC driller's log.

D. Choke Manifold Equipment:

All choke lines will be straight lines whenever possible at turns, tee blocks will be used or will be targeted with running tees, and will be anchored to prevent whip and vibration. FlexSteel lines may be used with prior approval.

E. Accumulator:

The accumulator will have sufficient capacity to open the hydraulically-controlled choke line valve (if so equipped), close all rams plus the annular preventer, and retain a minimum of 200 psi above precharge on the closing manifold without the use of the closing unit pumps. The fluid reservoir capacity will be double the accumulator capacity and the fluid level will be maintained at the manufacturer's recommendations. The BOP system will have two (2) independent power sources to close the preventers. Nitrogen bottles (3 minimum) will be one (1) of these independent power sources and will maintain a charge equal to the manufacturer's specifications.

The accumulator precharge pressure test will be conducted prior to connecting the closing unit to the BOP stack and at least once every six (6) months thereafter. The accumulator pressure will be corrected if the measured precharge pressure is found to be above or below the maximum or minimum limits specified in *Onshore Oil & Gas Order Number 2*.

F. Miscellaneous Information:

The blowout preventer and related pressure control equipment will be installed, tested and maintained in compliance with the specifications in and requirements of *Onshore Oil & Gas Order Number 2*.

The choke manifold and BOP extension rods with hand wheels will be located outside the rig sub-structure. The hydraulic BOP closing unit will be located at least twenty-five (25) feet from the wellhead but readily accessible to the driller. Exact locations and configurations of the hydraulic BOP closing unit will depend upon the particular rig contracted to drill this hole.

A flare line will be installed after the choke manifold with the discharge point of the flare line to a separate pit located at least 125 feet away from the wellbore and any existing production facilities.

A PVT will be installed to monitor pit volumes and any potential pit gains during drilling operations.

4. PROPOSED CASING AND CEMENTING PROGRAM

A. Casing Program:

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Wt./Ft.</u> | <u>Grade</u> | <u>Joint</u> | <u>Depth</u> |
|------------------|--------------------|----------------|--------------|--------------|--------------|
| 26" | 20" | Conductor | | | 60' |
| 17-1/2" | 13-3/8" | 54.50 | J-55 | STC | 1200' |
| 12-1/4" | 9-5/8" | 53.50 | P-110 | LTC | 8654' |
| 8-1/2" | 5" | 23.20 | N-80 | LTC | 0-6100' |
| 8-1/2" | 5" | 23.20 | Q125 | LTC | 6100-11550' |

| <u>Casing Size</u> | <u>Wt./Ft.</u> | <u>Depth</u> | <u>Collapse (psi)/SF</u> | <u>Burst (psi)/SF</u> | <u>Min. Tensile (mlbs)/SF</u> |
|--------------------|----------------|--------------|--------------------------|-----------------------|-------------------------------|
| 13 3/8" | 54.50 | 1200' | 1130 / 2.08 (a) | 2730 / 3.80 (b) | 514 / 7.86 (c) |
| 9-5/8" | 53.50 | 6475' | 7950 / 2.71 (a) | 10900 / 1.73 (b) | 1422 / 4.10 (c) |
| 5" | 23.20 | 6100' | 13830 / 2.26 (d) | 13380 / 1.83 (e) | 540 / 2.25 (f) |
| 5" | 23.20 | 11550' | 21620 / 2.02 (d) | 16900 / 1.83 (e) | 729 / 2.72 (f) |

- a. based on full evacuation with 8.7 ppg fluid on annulus
- b. based on 11.5 ppg gradient with no fluid on backside
- c. based on casing string weight in air
- d. based on full evacuation with 17.5 ppg fluid on annulus
- e. based on 17.5 ppg gradient with no fluid on backside
- f. based on casing string weight in air

Casing strings will be pressure tested to 0.22 psi/ft of casing string length or to 1,000 psi whichever is greater (not to exceed 70% of the internal yield strength of the casing), after cementing and prior to drilling out from under the casing shoe. Surface casing shoe will be set in a competent formation. A Formation Integrity Test (FIT) shall be performed before drilling 20' past casing shoe. FIT shall be to the maximum equivalent mud weight anticipated while drilling. Surface casing shall have centralizers on the bottom three joints, with a minimum of one centralizer per joint.

B. Cementing Program:

| | |
|-------------------------|--|
| Surface Casing: | Cement from 1200' to surface as follows: Lead cement will consist of approximately 400sks (100% Excess) of San Juan PRB II , Density: 11.0 ppg, Yield: 3.48 ft ³ /sk. Tail w/ 100sks (20% Excess) of San Juan PRB II , Density: 13.50 ppg, Yield: 1.80 ft ³ /sk. Top out w/ Class 'G' Cement utilizing 1" pipe as required to fill hole to surface. |
| Stage One Intermediate: | Lead w/ 375sks (5500'-7654'), (2154'+20% Excess) Light Premium Cement w/ 0.8% Halad(R)-322 (FL), 0.2% WG-17, 0.125#/sk Poly-E-Flake, 0.2% HR-5 (Retarder), 15% Salt. Slurry Density: 12.50 ppg, Yield: 2.157 ft ³ /sk. Tail w/ 300sks (7654'-8654'), (1000'+20% Excess) Premium Cement w/ 0.6% Halad(R)-413 (FL), 0.3 % SuperCBL, 0.3% D-Air, 0.45 % HR-5 (Retarder), 0.3% Versaset (Thixset) 18% Salt. Slurry Density: 15.8 ppg, Yield: 1.234ft ³ /sk. |
| Stage Two Intermediate: | Lead w/ 975sks (5500'+20% Excess) Light Premium Cement w/ 0.8% Halad(R)-322 (FL), 0.2% WG-17, 0.125#/sk Poly-E-Flake, 0.2% HR-5 (Retarder), 15% Salt. Slurry Density: 12.50 ppg, Yield: 2.157 ft ³ /sk. Stage Cementing Tool Set @ 5500' + or -. Wait on cement Minimum 6 Hours between Stages or Until Surface Samples Set. |
| Production Casing: | Cement from TD back up to +/- 1000' with 10% excess over hole caliper log volume. Lead (Scavenger) cement: 1300sks (5200'+10% Excess) 75/25 Poz Premium containing 6% Bentonite, 18% Salt, 5.0#/sk Barite, 0.4% HR-5 (Retarder), 0.4% HR-5 (Retarder), 0.2% CFR-3 (Dispersant). Slurry Density: 15.0 ppg, Yield: 1.133ft ³ /sk. Tail cement: 850sks(3900'+10% Excess) Premium Cement containing 0.5% Halad(R)-413 (FL), 0.2% Halad(R)-344 (FL), 10% Salt, 0.2 % CFR-3 (Dispersant), 1 % D-AIR 3000 (Defoamer), 0.3% HR-5 (Retarder), 6% WELLLIFE (Enhancer), 4% Microbond HT (Gas Migration Control), 0.3% SA-541 (Additive Material). Slurry Density: 15.5 ppg, Yield: |

1.30ft³/sk.

Actual cement volumes to be determined after reviewing logs and shows. All potentially productive zones will be covered with cement. All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

5. MUD PROGRAM

| Interval | Type | Weight | Viscosity | Water Loss |
|---------------|----------------|-----------------|---------------|------------|
| Surface-1200' | Air Mist / Mud | n/a | n/a | no control |
| 1200' - 8654' | Air Mist / Mud | 8.4 - 8.8 ppg | n/a | n/a |
| 9500' - TD | Invert OBM | 15.0 - 17.5 ppg | 90-100 sec/qt | 6 cc |

Bloolie System:

Bloolie line will be a minimum of 6" in diameter and will run from the flowline above the annular & below the rotating head or diverter, paralleling the reserve pit, through the baffle type dust suppression system, discharging to the reserve pit. The compression equipment will be located a minimum of 100' from the wellbore, outside of the rig's normal footprint, approximately behind the rig's mud pumps to the trailer side of location (approximate location as shown in page 7 of the proposed APD). The compression capacity is 3,200 SCFM at 60 psig and 2,100 SCFM at 1,500 psig

6. EVALUATION PROGRAM

Logs: The Logging program will consist of the following:

Run 1: GR-SP-DIL-SFL-ML, GR-CALI-FDC/CNL, Sonic (BHC), and Mud Log to be run from Surface Casing to +/- 8,654' (Intermediate Casing Depth)..

Run 2: GR-SP-DIL-SFL-ML, GR-CALI-FDC/CNL, Sonic (Dipole), Borehole Imager (CBIL), and Mud Log to be run from +/- 8,654' to TD.

Mud Logging: From Base Surface Casing To TD

No cores or DST's are planned.

No stimulation treatments have been formulated for this well at this time. The drill site as approved will be of sufficient size to accommodate all completion activities.

The evaluation program may change at the discretion of the wellsite geologist, with prior approval from the Authorized Officer.

Whether the well is completed as a dry hole or as a producer, *Well Completion and Recompletions Report and Log* (Form 3160-4) will be submitted to the Moab Field Office and State of Utah Division Of Oil, Gas & Mining Office no later than thirty (30) days after the completion of the well or after completion of operations being performed.

Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample descriptions and all other surveys or data obtained and compiled during the drilling, workover, and/or

completion operations will be filed with Form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the Authorized Office.

7. ABNORMAL CONDITIONS & H2S

Over pressure may occur in the shales within the Paradox Formation Salts but will be controlled with mud weight and BOP systems. Normal temperatures are expected in the objective formation and will be controlled with heavy mud. A maximum bottom hole pressure of 8,500 psi is expected. A maximum bottom hole temperature of 153 degrees Fahrenheit is anticipated. Sour gas (H2S) is not anticipated.

8. ANTICIPATED STARTING DATES AND NOTIFICATION OF OPERATIONS

A. Anticipated Starting Dates:

| | |
|------------------------------|-----------------------|
| Operation Commencement date: | January 2009 |
| Drilling Days | Approximately 25 days |
| Completion Days | Approximately 15 days |

B. Notification of Operations: UDOG&M and BLM must both be notified of spud date.

| | |
|--------------------|----------------|
| BLM Moab Office: | (435) 259-2100 |
| Utah DOG&M Office: | (801) 538-5340 |

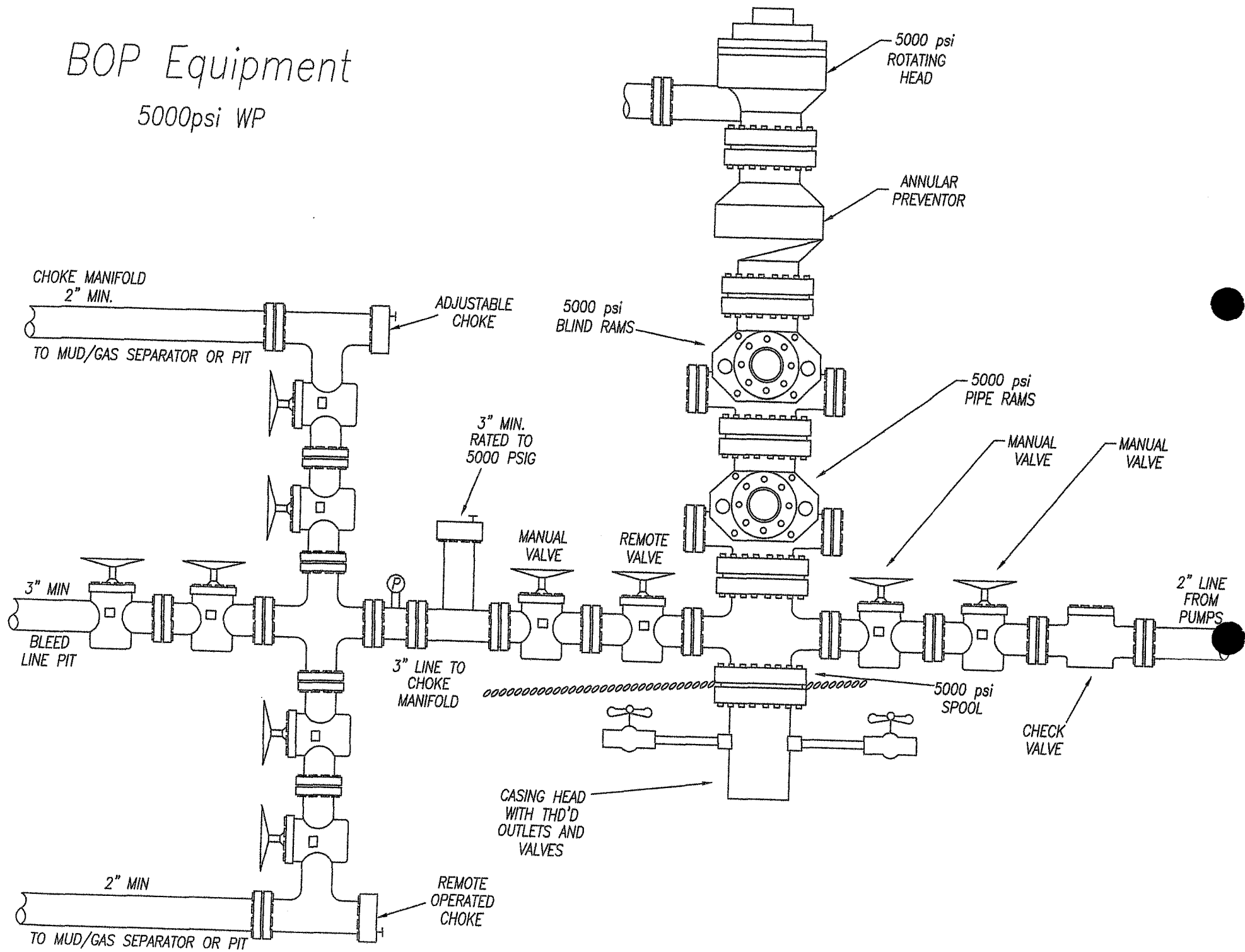
9. GENERAL CONDITIONS OF APPROVAL

- A. All lease and/or unit operations are to be conducted in such a manner to ensure full compliance with the applicable laws, regulations (43 CFR, Part 3160), Onshore Orders, Notices to Lessees, and the approved plan of operations.
- B. The spud date will be reported orally to the Price Field Office **24 HOURS PRIOR TO SPUDDING**, unless otherwise required in the site specific conditions of approval.
- C. All wells, whether drilling, producing, suspended or abandoned shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, the lease serial number, the well number and the surveyed description of the well.
- D. In accordance with *Onshore Oil & Gas Order Number 1*, this well will be reported on MMS form #3160-6, *Monthly Report of Operations and Production*, starting with the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report will be filed directly with the Royalty Management Program, Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217.
- E. All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL-3A will be reported to the Moab Field Office. Major events will be reported verbally within twenty-four (24) hours and will be followed with a written report within fifteen (15) days. Other than major events will be reported in writing within fifteen (15) days. Minor events will be reported on the *Monthly Report of Operations and Production* (form #3160-6).
- F. No well abandonment operations will be commenced without the prior approval of the Authorized Officer. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the Field Office Petroleum Engineer.

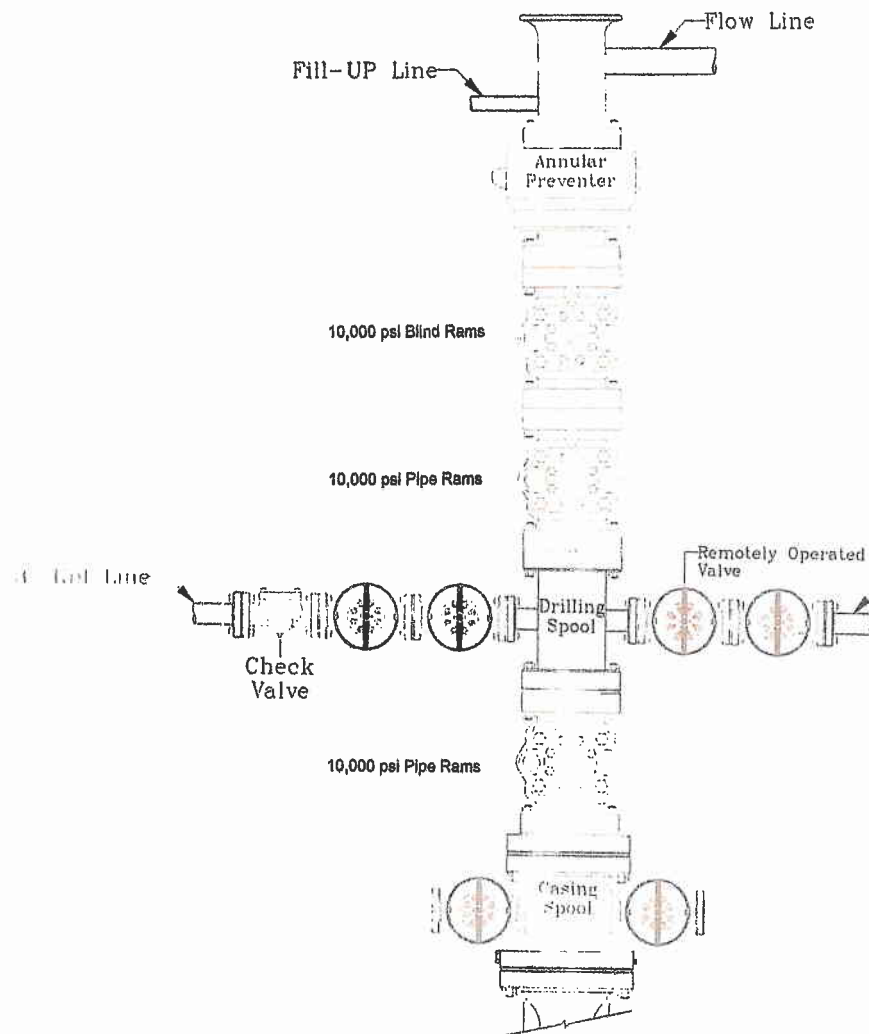
- G. A *Notice of Intention to Abandon* (form #3160-5) will be filed with the Authorized Officer within fifteen (15) days following the granting of oral approval to plug and abandon.
 - H. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. The following information will be permanently placed on the marker with a plate, cap, or beaded-on with a welding torch: Company Name, Well Name and Number, Location by Quarter/Quarter, Section, Township, Range, and the Federal Lease Number.
 - I. A *Subsequent Report of Abandonment* (form #3160-5) will be submitted within thirty (30) days following the actual plugging of the well bore. This report will indicate where plugs were placed and the current status of surface restoration operations. If surface restoration has not been completed at that time, a follow-up report on form 3160-5 will be filed when all surface restoration work has been completed and the location is considered ready for final inspection. If the location is on private surface, a *Landowner Acceptance of Reclamation* letter will be attached to this "Sundry Notice".
 - J. Pursuant to NTL-4A, lessees and operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of fifty (50) MMCF of gas, whichever occurs first. An application must be filed with the Authorized Officer, and approval received, for any venting/flaring of gas beyond the initial 30 day or otherwise authorized test period.
 - K. Not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than ninety (90) days, the operator shall notify the Authorized Officer by letter or Sundry Notice of the date on which such production has begun or resumed. The notification shall provide at a minimum, the following informational items:
 - a. Operator name, address, and telephone number
 - b. Well name and number
 - c. Well location "¼, ¼, Section, Township, Range, P.M."
 - d. Date well was placed in a producing status
 - e. The nature of the wells production (i.e.: crude oil casing gas, or natural gas and entrained liquid hydrocarbons).
 - f. The OCS, Federal or Indian lease prefix and number on which the well is located. Otherwise, the non-federal or non-Indian land category (i.e.: state or private).
 - g. As appropriate, the communitization agreement number, the unit agreement name, number and participating area name.
12. Within sixty (60) days following construction of a new tank battery, a site facility diagram of the battery showing actual conditions and piping must be submitted to the Authorized Officer. Facility diagrams shall be filed within sixty (60) days after existing facilities are modified. For complete information as to what is required on these diagrams, please refer to 43 CFR 3162.7-4(d).
13. Pursuant to Onshore Oil & Gas Order Number 1, lessees and operators have the responsibility to see that their exploration, development, production, and construction operations are conducted in such a manner which conforms with applicable federal laws and regulations and with state and local laws and regulations to the extent that such state and local laws are applicable to operations on federal and Indian lands

BOP Equipment

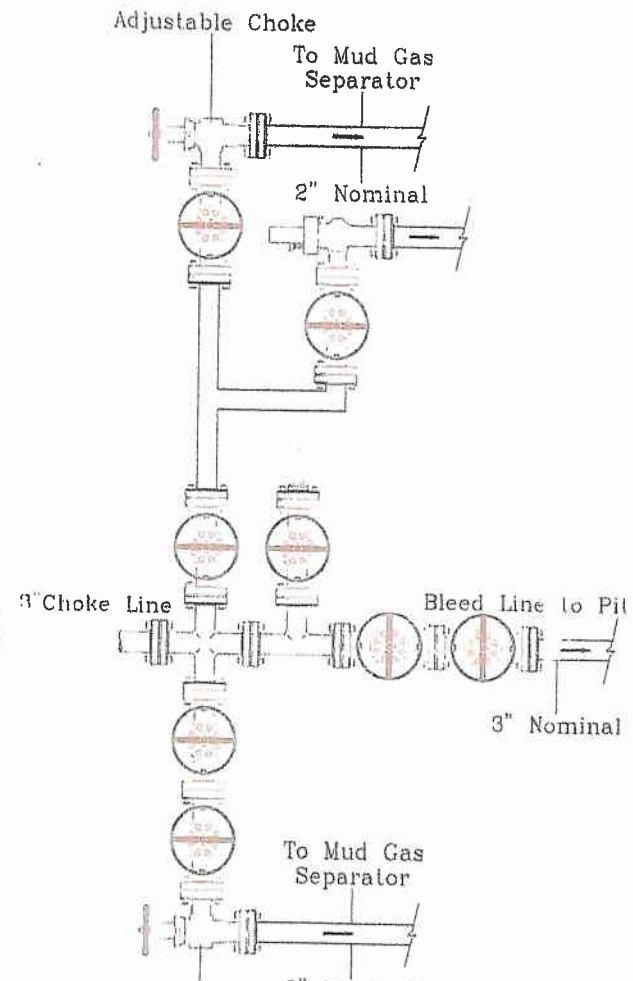
5000psi WP



TYPICAL 10,000# p.s.i.
BLOWOUT PREVENTER
SCHEMATIC



TYPICAL 10,000# p.s.i.
CHOKE MANIFOLD
SCHEMATIC



SURFACE USE PLAN

Name of Operator: Liberty Pioneer Energy Source, Inc.
Address: 1411 East 840 North
Orem, Utah 84097
Well Location: Federal 23-23
1,831' FSL & 1,856' FWL, NE/4 SW/4,
Section 23, T22S, R17E
Grand County, UT

The surface owner or surface owner representative and dirt contractor will be provided with an approved copy of the surface use plan of operations and approved conditions of approval before initiating construction.

The dirt contractor will be provided with an approved copy of this document prior to initiating construction. The well site is located on BLM surface mineral. An off-lease SITLA easement and an off-lease federal right-of-way are necessary for the access road. A Federal permit, a SITLA easement, a federal right-of-way grant and a Grand County Road encroachment must be in place prior to initiating any construction activities.

The BLM onsite inspection for the referenced well is pending at this time.

1. **Location of Existing Roads:**

- a. The proposed well site is located approximately 9.46 miles southeast of Green River, Utah.
- b. Directions to the proposed well site have been attached at the end of Exhibit B.
- c. Proposed access will utilize the existing gravel-surfaced Little Valley Road (CR 150) maintained by Grand County from I-70 (East Green River Exit) (See Exhibit "B").
- d. The existing Little Valley Road (CR 150) road will not be upgraded but will be maintained consistent with Grand County specifications and include improving drainage structures, gravelling and dust suppression, if necessary.
- e. A Grand County road encroachment application has been submitted and is pending approval at this time to upgrade the existing approach from the Little Valley Road.
- f. The use of roads under State and County Road Department maintenance are necessary to access the area.
- g. All existing roads will be maintained and kept in good repair during all phases of operation.
- e. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.
- f. An off-lease federal Right-of-Way is needed to access this well and has been applied for under a separate application dated August 25, 2008.

2. Planned Access Roads:

- a. From the existing gravel-surfaced Little Valley Road (CR 150) an access is proposed trending southeast approximately 35,748' (6.77miles) to the proposed well site. The access consists of existing two track disturbance and new disturbance and crosses no significant drainages.
- b. The access road crosses 6,111' (1.16 miles) of state surface under the management of the SITLA and 29,637' (5.61 miles) of federal surface under the management of the BLM Moab Field Office.
- c. A SITLA easement and a federal right-of-way are necessary for construction and use of the proposed roads. The applications have been submitted and are pending approval at this time.
- d. A road design plan is not anticipated at this time.
- e. The proposed access road will consist of a 24' travel surface within a 30' disturbed area across entirely BLM and surface.
- f. BLM approval to construct and utilize the on-lease segment of the proposed access road (3,169') is requested with this application.
- g. A maximum grade of 10% will be maintained throughout the project.
- h. No turnouts are proposed since adequate site distance exists in all directions.
- i. Several low-water crossings and several culverts are anticipated. Adequate drainage structures will be incorporated into the road.
- j. No surfacing material will come from federal lands.
- k. No gates or cattle guards are anticipated at this time.
- l. Surface disturbance and vehicular travel will be limited to the approved location access road.
- m. All access roads and surface disturbing activities will conform to the standards outlined in the Bureau of Land Management and Forest Service publication: Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development (Gold Book –Fourth Edition - Revised 2007).
- n. The operator will be responsible for all maintenance of the access road including drainage structures.

3. Location of Existing Wells:

- a. See Exhibit "B". There are no proposed and no existing wells within a one mile radius of the proposed location.

4. Location of Existing and/or Proposed Production Facilities:

- a. All permanent structures will be painted a flat, non-reflective Carlsbad Canyon to match the standard environmental colors. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded.
- b. Site security guidelines identified in 43 CFR 3163.7-5 and Onshore Oil and Gas Order No. 3 will be adhered to.
- c. A gas meter run will be constructed and located on lease within 500 feet of the wellhead. Meter runs will be housed and/or fenced. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.
- d. A tank battery will be constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All liquid hydrocarbons production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4 and Onshore Oil and Gas Order No. 5 for natural gas production and measurement.
- e. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.
- f. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.
- g. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.
- h. A pipeline corridor has been considered for this well but will be applied for at a later date by a third-party transporter.

5. Location and Type of Water Supply:

- a. The water supply for construction, drilling and operations will be provided under water right number 91-5140 which will be diverted from the Green River at the Sillman diversion by water truck through a direct water purchase.
- b. No water pipelines will be laid for this well.
- c. No water well will be drilled for this well.
- d. Drilling water for this will be hauled on the road(s) shown in Exhibit B.
- e. Should additional water sources be pursued they will be properly permitted through the State of Utah – Division of Water Rights.

6. Source of Construction Material:

- a. The use of materials will conform to 43 CFR 3610.2-3.
- b. No construction materials will be removed from BLM lands.
- c. If any gravel is used, it will be obtained from a state approved gravel pit.

7. Methods of Handling Waste:

- a. All wastes associated with this application will be contained and disposed of utilizing approved facilities.
- b. Drill cuttings will be contained and buried on site.
- c. The reserve pit will be located outboard of the location and along the west side of the pad.
- d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.
- e. The reserve pit will be lined with 16 mil minimum thickness plastic nylon reinforced liner material. The liner will overlay a felt liner pad only if rock is encountered during excavation. The pit liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.
- f. The reserve pit has been located in cut material. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. After the reserve pit has dried, all areas not needed for production will be rehabilitated.
- g. No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling, testing, or completion of the well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling, testing, or completion of the well.
- h. Trash will be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations. The contents of the trash container will be hauled off periodically to the approved Grand County Landfill near Green River, Utah.
- i. Produced fluids from the well other than water will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.
- j. After initial clean-up, a 400 bbl tank will be installed to contain produced waste

water. This water will be transported from the tank to an approved disposal well for disposal.

- k. Produced water from the production well will be disposed in accordance with Onshore Order #7.
- l. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.
- m. Sanitary facilities will be on site at all times during operations. Sewage will be placed in a portable chemical toilet and the toilet replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Green River Wastewater Treatment Facility in accordance with state and county regulations.

8. Ancillary Facilities:

- a. Garbage Containers and Portable Toilets are the only ancillary facilities proposed in this application.
- b. No camps, airstrips or staging areas are proposed with this application.

9. Well Site Layout: (See Exhibit B)

- a. The well will be properly identified in accordance with 43 CFR 3162.6.
- b. Access to the well pad will be from the north.
- c. The pad and road designs are consistent with BLM specifications.
- d. A pre-construction meeting with responsible company representative, contractors and the BLM will be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road will be construction-staked prior to this meeting.
- e. The pad has been staked at its maximum size; however it will be constructed smaller if possible, depending upon rig availability. Should the layout change, this application will be amended and approved utilizing a sundry notice.
- f. All surface disturbing activities, will be supervised by a qualified, responsible company representative who is aware of the terms and conditions of the APD and specifications in the approved plans.
- g. All cut and fill slopes will be such that stability can be maintained for the life of the activity.
- h. Diversion ditches will be constructed as shown around the well site to prevent surface waters from entering the well site area.
- i. The site surface will be graded to drain away from the pit to avoid pit spillage during large storm events.

- j. The stockpiled topsoil (first 6 inches or maximum available) will be stored in a windrow on the uphill side of the location to prevent any possible contamination. All topsoil will be stockpiled for reclamation in such a way as to prevent soil loss and contamination.
- k. Pits will remain fenced until site cleanup.
- l. The blooie line will be located at least 100 feet from the well head.
- m. Water injection may be implemented if necessary to minimize the amount of fugitive dust.

10. Plans for Restoration of the Surface (Interim Reclamation and Final Reclamation):

- a. Site reclamation for a producing well will be accomplished for portions of the site not required for the continued operation of the well.
- b. Upon well completion, any hydrocarbons in the pit shall be removed in accordance with 43 CFR 3162.7-1. Once the reserve pit is dry, the plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit. The reserve pit and that portion of the location not needed for production facilities/operations will be re-contoured to the approximate natural contours.
- c. Following BLM published Best Management Practices the interim reclamation will be completed within 90 days of completion of the well to reestablish vegetation, reduce dust and erosion and compliment the visual resources of the area.
 - a. All equipment and debris will be removed from the area proposed for interim reclamation and the pit area will be backfilled and re-contoured.
 - b. The area outside of the rig anchors and other disturbed areas not needed for the operation of the well will be re-contoured to blend with the surrounding area and reseeded at 12 lbs /acre with the following native grass seeds:
 - BLM Seed Mix: 12 lbs/acre
 - o Sand dropseed – *Sporobolus cryptandurs* (3 lbs / acre)
 - o Fourwing Saltbush – *Atriplex canescens* (3 lbs / acre)
 - o Needle and Thread Grass - (4 lbs / acre)
 - o Indian Rice Grass – *Achnatherum himenoides* (4 lbs / acre)
 - c. Reclaimed areas receiving incidental disturbance during the life of the producing well will be re-contoured and reseeded as soon as practical.
- d. The Operator will control noxious weeds along access road use authorizations, pipeline route authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the BLM or the appropriate County Extension Office. On BLM administered land, it is required that a Pesticide Use Proposal be submitted and approved prior to the application of herbicides, pesticides or possibly hazardous chemicals.
- e. Prior to final abandonment of the site, all disturbed areas, including the access road, will be scarified and left with a rough surface. The site will then be seeded and/or planted as prescribed by the BLM. The BLM recommended seed mix will be detailed within their approval documents.

11. Surface and Mineral Ownership:

- a. Surface Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 82 East Dogwood, Moab, Utah 84532; 435-259-2135.
- b. Mineral Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 82 East Dogwood, Moab, Utah 84532; 435-259-2135.
- c. The access road crosses lands owned by the State of Utah – under the management of the SITLA -State Office, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102-2818; 801-538-5100.

12. Other Information:

- a. Company Representative
Daniel R. Gunnell - President and CEO
Liberty Pioneer Energy Source, Inc.
1411 East 840 North
Orem, Utah 84097
801-224-4771 (office)
DGunnell@LibertyPioneer.com
- b. Company Agent
Don Hamilton
Buys & Associates, Inc
2580 Creekview Road, Moab, Utah 84532
435-718-2018
starpoint@etv.net
- c. Buys & Associates, Inc. has conducted a Class III archeological survey. A copy of the report is pending at this time and will be submitted under separate cover to the appropriate agencies by Buys & Associates, Inc.
- d. Alden Hamblin has conducted a paleontological survey. A copy of the report is attached and has also been submitted under separate cover to the appropriate agencies by Alden Hamblin.

Certification:

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exists; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application and that bond coverage is provided under Liberty Pioneer Energy Source, Inc. BLM bond (Pending). These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 29th day of September, 2008.

Don Hamilton

Don Hamilton -- Agent for Liberty Pioneer Energy Source, Inc.
2580 Creekview Road
Moab, Utah 84532

435-719-2018
starpoint@etv.net

PALEONTOLOGY EVALUATION SHEET

PROJECT: LIBERTY PIONEER ENERGY SOURCE - Federal #23-23

LOCATION: Nine to ten miles southeast of Green River, Utah. 1831' FSL & 1856' FWL Section 23, T22S, R17E, Grand County, Utah.

OWNERSHIP: PRIV[] STATE[] BLM[X] USFS[] NPS[] IND[] MIL[] OTHER[]

DATE: August 27, 2008

GEOLOGY/TOPOGRAPHY: The road begins in the Mancos shale in section 16 and continues southeast nearly 2 ½ miles to the well in section 23 in the Dakota Formation. These formations are Cretaceous in age. The well pad sits on a northeast slope which drains into a gully running northwest. There is another gully on the west side running northeast.

PALEONTOLOGY SURVEY: YES [X] NO Survey [] PARTIAL Survey []

This well has a seven to eight mile proposed access road beginning at SE corner of section 36, T21S, R16E. This road was surveyed for paleontology to section 16, T22S, R17E in May 2007 for another company. The remainder of the road was surveyed on August 27, 2008. Surveys were performed by walking a zigzag pattern of 100 feet on each side of the road alignment where geological formations were exposed. A pedestrian survey of approximately 10 acres was performed around the proposed well pad.

SURVEY RESULTS: Invertebrate [X] Plant [] Vertebrate [] Trace [] No Fossils Found []

The only fossils found on the 10 acres surrounding the well center stake were several minor fragments of petrified wood. Two fossil localities were recorded along the proposed road in the bottom of the Mancos Shale. These consisted of beds of pelecypod shells, *Picnodonte newberryi*. These were recorded as fossil Localities 42Gr511I and 42Gr12I. These are not considered significant.

PALEONTOLOGY SENSITIVITY: HIGH [] MEDIUM [X] LOW [] (PROJECT SPECIFIC)

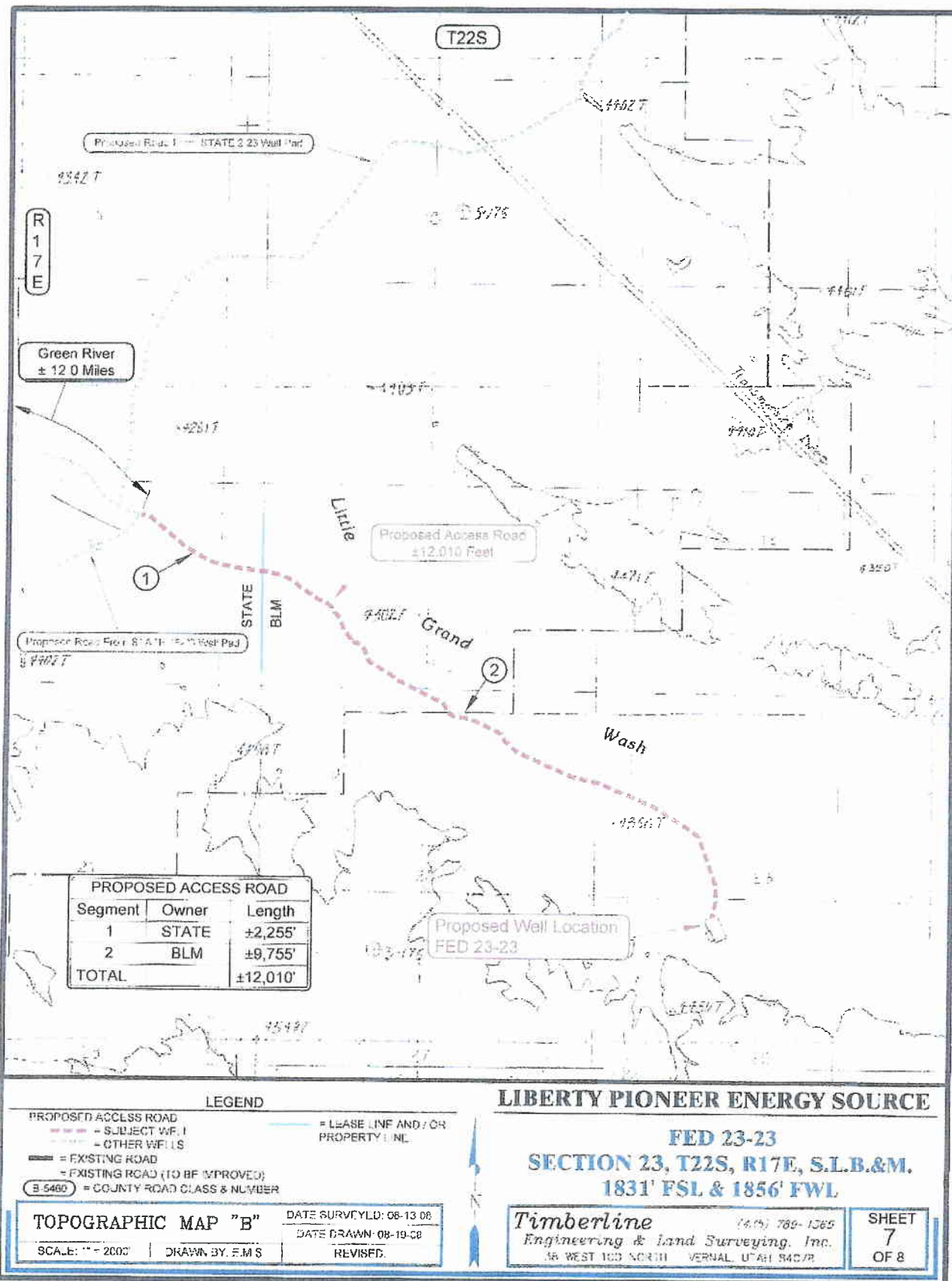
The Dakota Formation is known for containing fossil dinosaur bones, tracks and other vertebrate fossils as well as plant fossils.

MITIGATION RECOMMENDATIONS: NONE [] OTHER [X] (SEE BELOW)

No vertebrate fossils were found during the survey, but there is a potential for dinosaur bones in this particular area. Monitoring of construction is not being recommended. However, if dinosaur bones are encountered during construction, work should stop in that area and a paleontologist contacted to evaluate the discovered material and decide on mitigation measures.

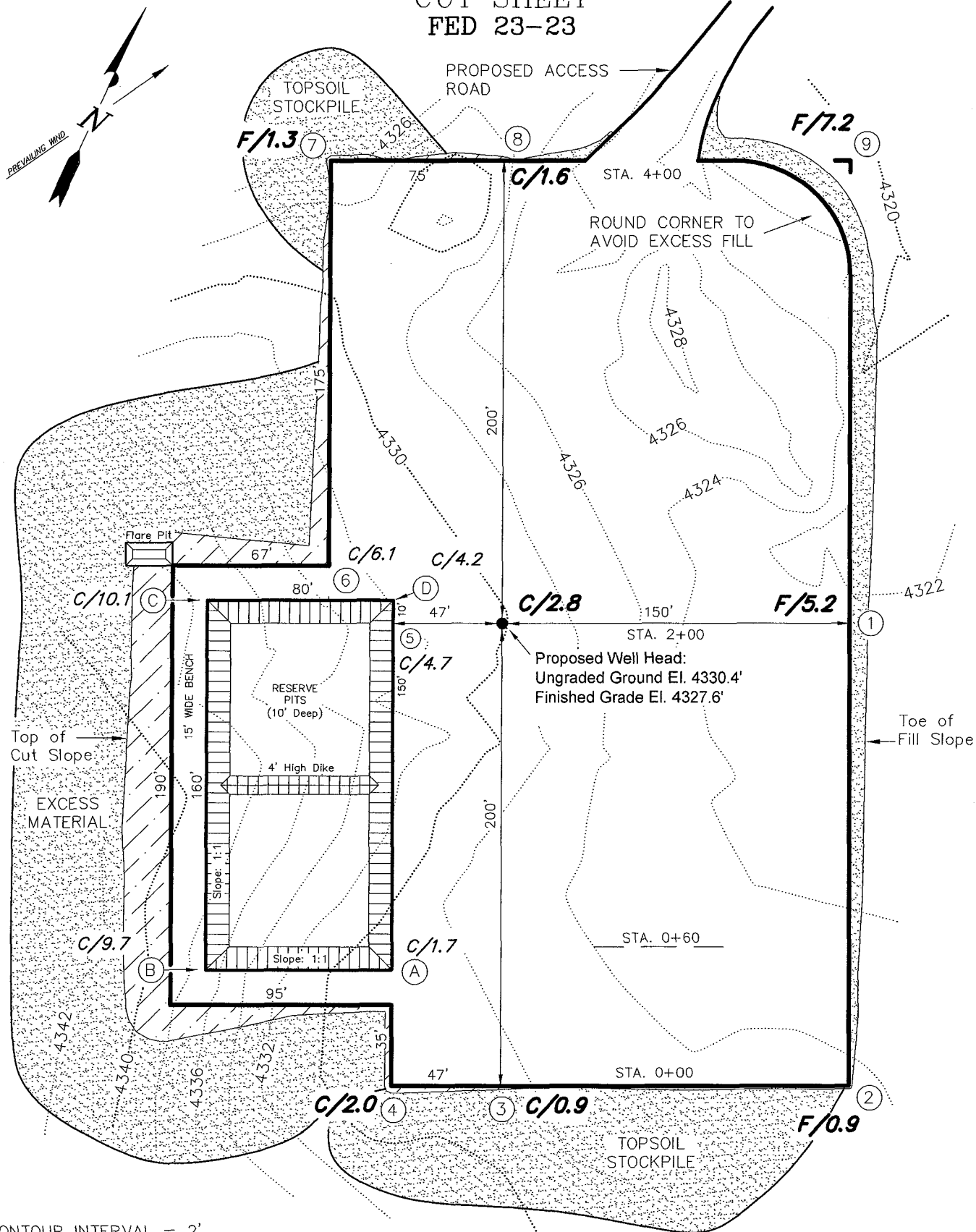
PALEONTOLOGIST: Alden H. Hamblin

A.H. Hamblin Paleontological Consulting, 3793 N. Minersville Highway, Cedar City, Utah 84720 (435) 867-8355
Utah State Paleontological Permit # 07-355, BLM paleontological Resources Permit # UT08-003C. Utah
Professional Geologist License – 5223011-2250.



LIBERTY PIONEER ENERGY SOURCE

CUT SHEET
FED 23-23



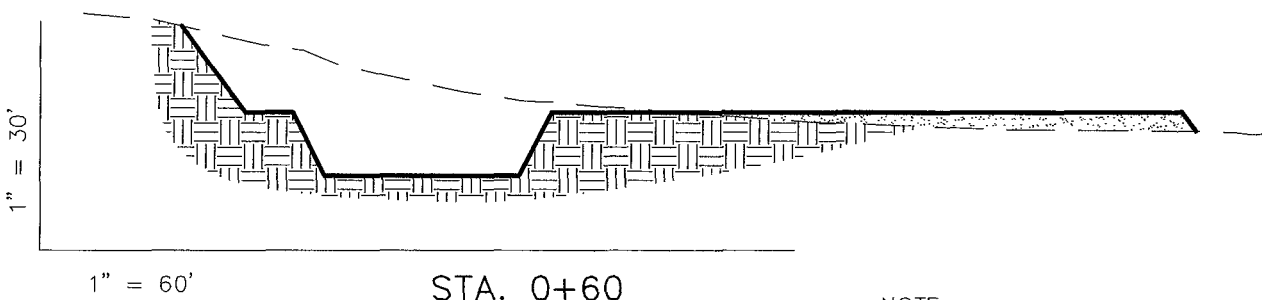
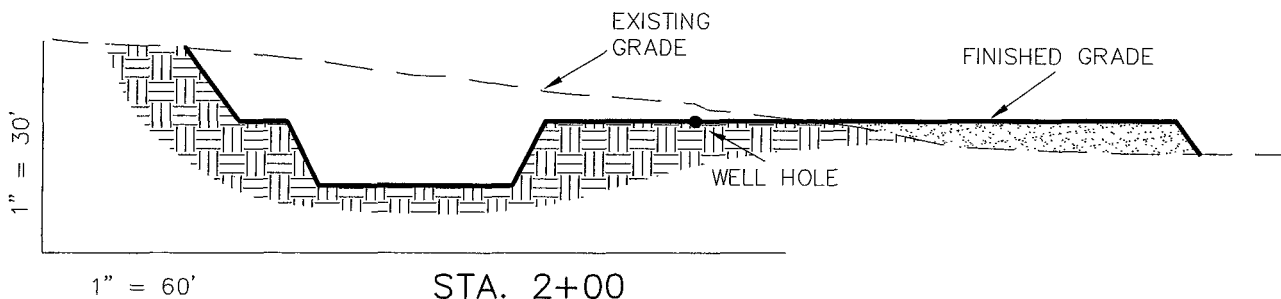
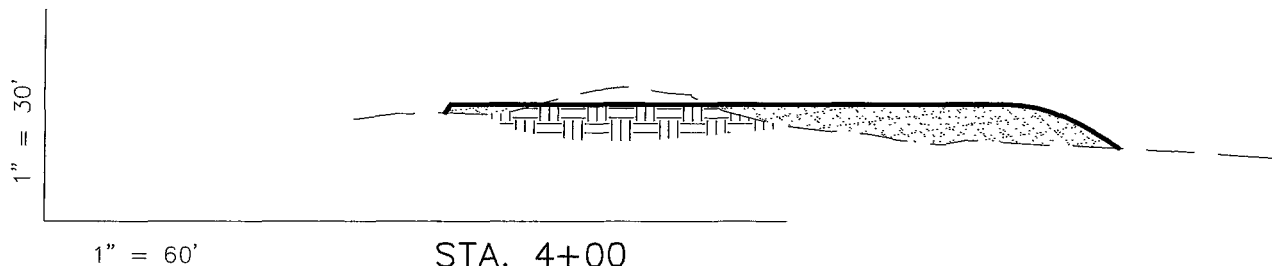
CONTOUR INTERVAL = 2'

| | | | |
|-----------------------------------|-------------------------|-------------------------|--|
| Section 23, T22S, R17E, S.L.B.&M. | | Qtr/Qtr Location: NE SW | Footage Location: 1831' FSL & 1856' FWL |
| Date Surveyed: 08-13-08 | Date Drawn: 08-22-08 | Date Last Revision: | Timberline (435) 789-1365 |
| Surveyed By: B.J.S.. | Drawn By: M.W.W. | Scale: 1" = 60' | Engineering & Land Surveying, Inc. 38 WEST 100 NORTH VERNAL, UTAH 84078 |
| | | | SHEET 3 OF 8 |

LIBERTY PIONEER ENERGY SOURCE

CROSS SECTIONS

FED 23-23



NOTE:
UNLESS OTHERWISE NOTED
ALL CUT/FILL SLOPES ARE
AT 1.5:1

REFERENCE POINTS

200' NORTHEASTERLY = 4322.5'
250' NORTHEASTERLY = 4321.3'
250' SOUTHEASTERLY = 4330.5'
300' SOUTHEASTERLY = 4332.2'

ESTIMATED EARTHWORK QUANTITIES

(No shrink or swell adjustments have been used)
(Expressed in Cubic Yards)

| | | |
|------------------------------|--------------------------------|---------|
| CUT | Excess Material | = 5,730 |
| 6" Topsoil Stripping = 1,880 | Topsoil & Pit Backfill = 5,730 | |
| Remaining Location = 11,010 | (Full Pit Volume) | |
| TOTAL CUT = 12,890 | Excess Unbalance | = 0 |
| FILL = 7,160 | (After Rehabilitation) | |

Section 23, T22S, R17E, S.L.B.&M.

Qtr/Qtr Location: NE SW

Footage Location: 1831' FSL & 1856' FWL

Date Surveyed:
08-13-08

Date Drawn:
08-22-08

Date Last Revision:

Timberline

(435) 789-1365

SHEET

Surveyed By: B.J.S..

Drawn By: M.W.W.

Scale: 1" = 60'

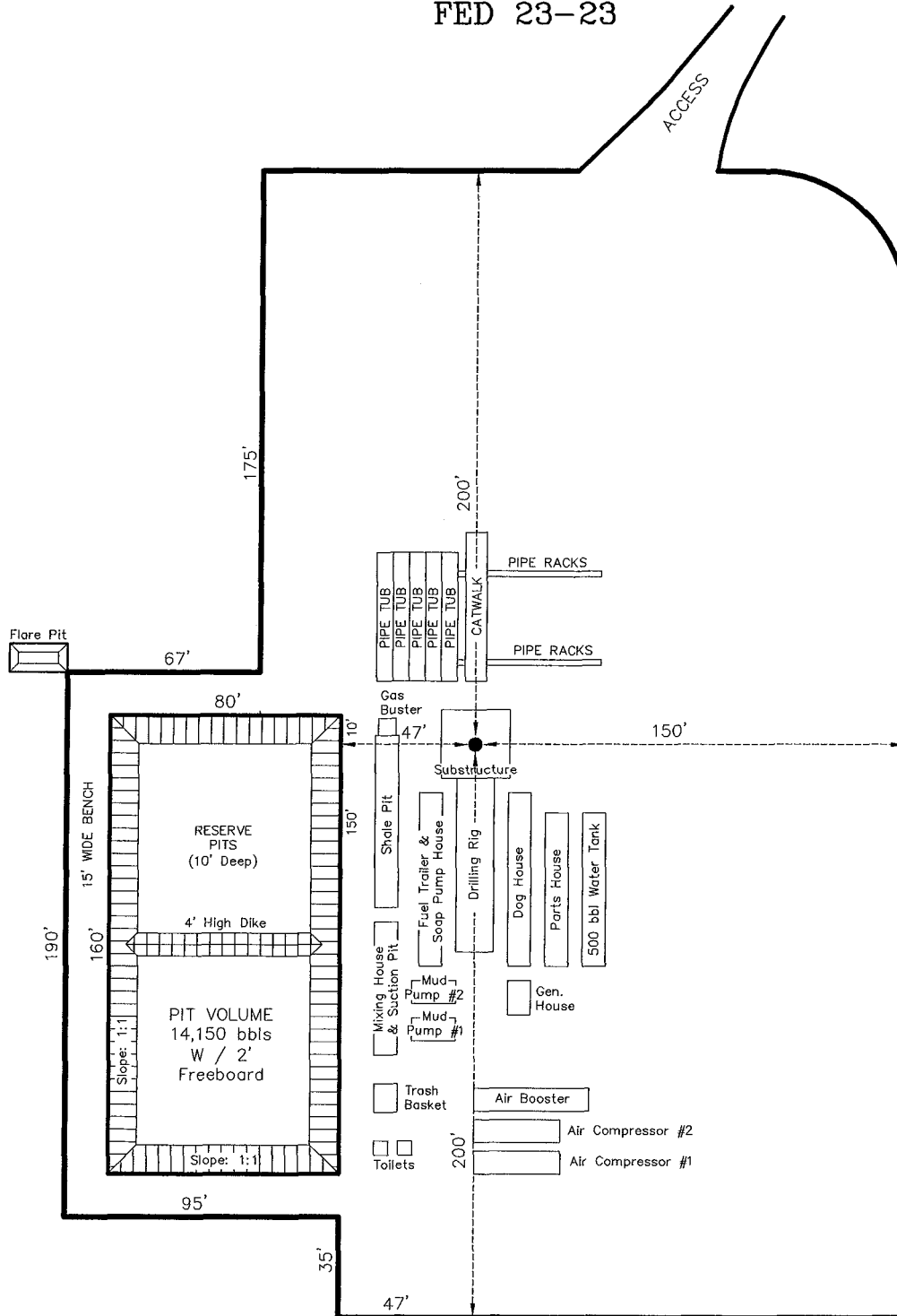
Engineering & Land Surveying, Inc.

38 WEST 100 NORTH VERNAL, UTAH 84078

4
OF 8

LIBERTY PIONEER ENERGY SOURCE

TYPICAL RIG LAYOUT FED 23-23



Section 23, T22S, R17E, S.L.B.&M.

Qtr/Qtr Location: NE SW

Footage Location: 1831' FSL & 1856' FWL

Date Surveyed:
08-13-08

Date Drawn:
08-22-08

Date Last Revision:

Timberline

(435) 789-1365

SHEET

Surveyed By: B.J.S.

Drawn By: M.W.W.

Scale: 1" = 60'

Engineering & Land Surveying, Inc.
38 WEST 100 NORTH VERNAL, UTAH 84078

5
OF 8

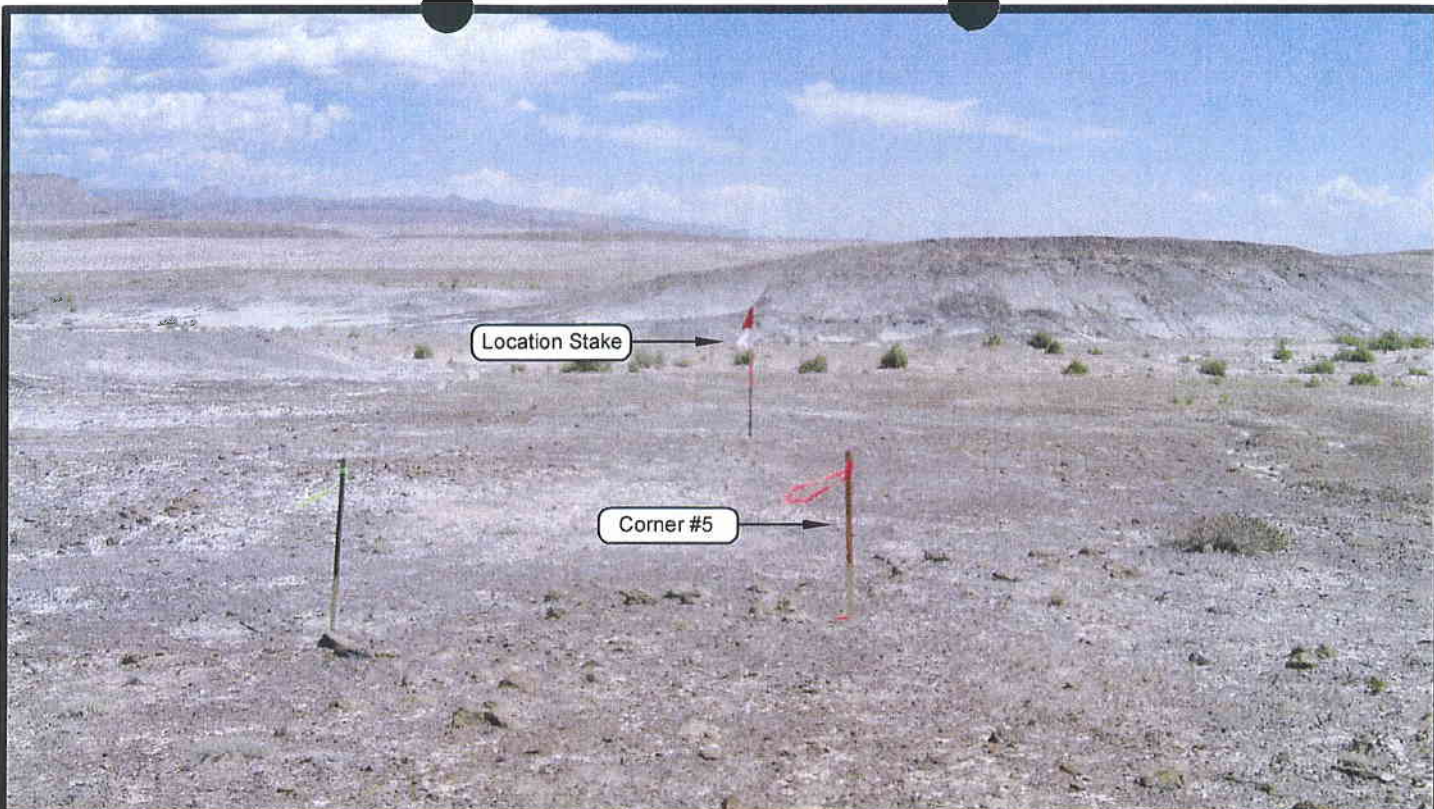


PHOTO VIEW: FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHEASTERLY

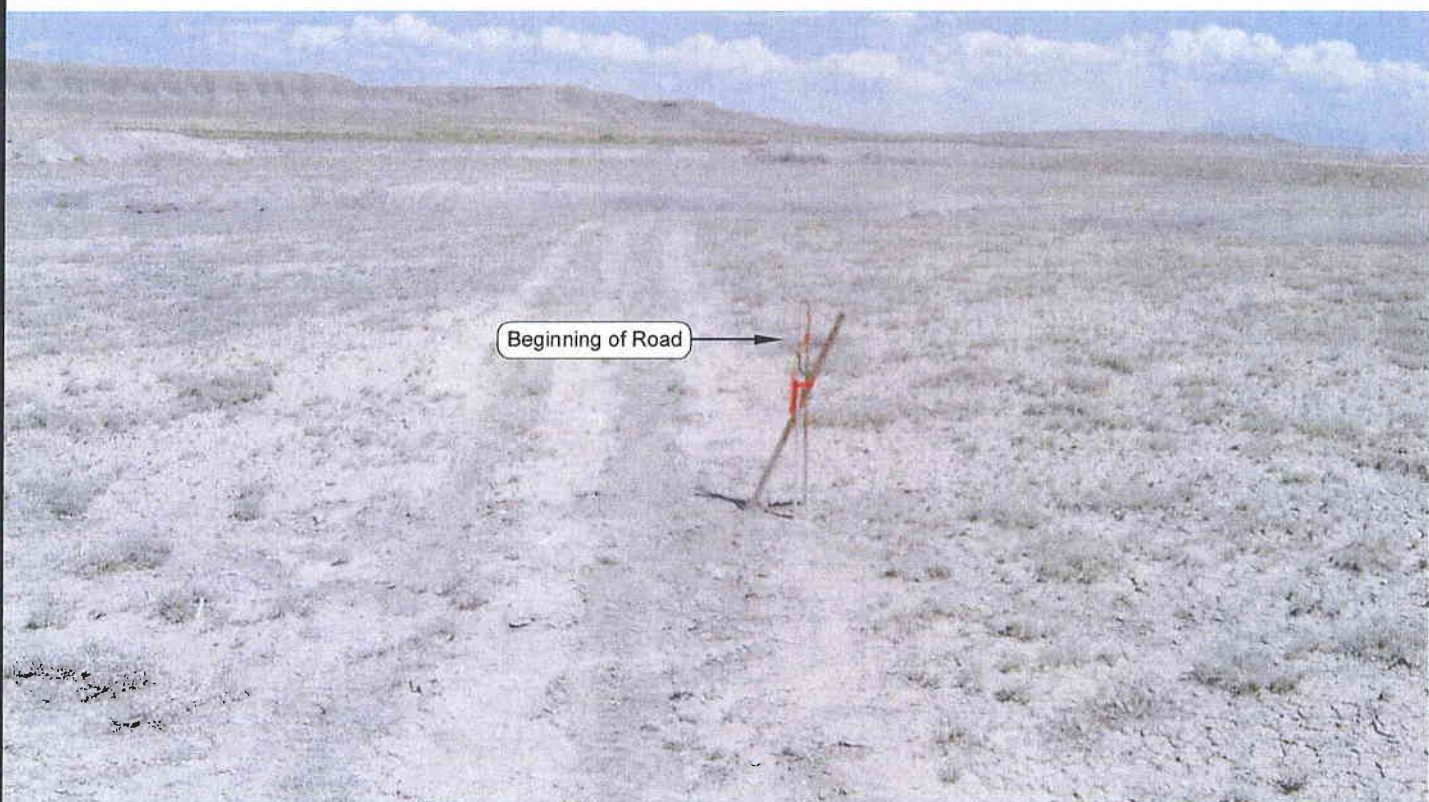


PHOTO VIEW: FROM BEGINNING OF PROPOSED ROAD

CAMERA ANGLE: EASTERLY

LIBERTY PIONEER ENERGY SOURCE

FED 23-23
SECTION 23, T22S, R17E, S.L.B.&M.
1831' FSL & 1856' FWL

LOCATION PHOTOS

TAKEN BY: B.J.S.

DRAWN BY: E.M.S.

DATE TAKEN: 08-13-08

DATE DRAWN: 08-19-08

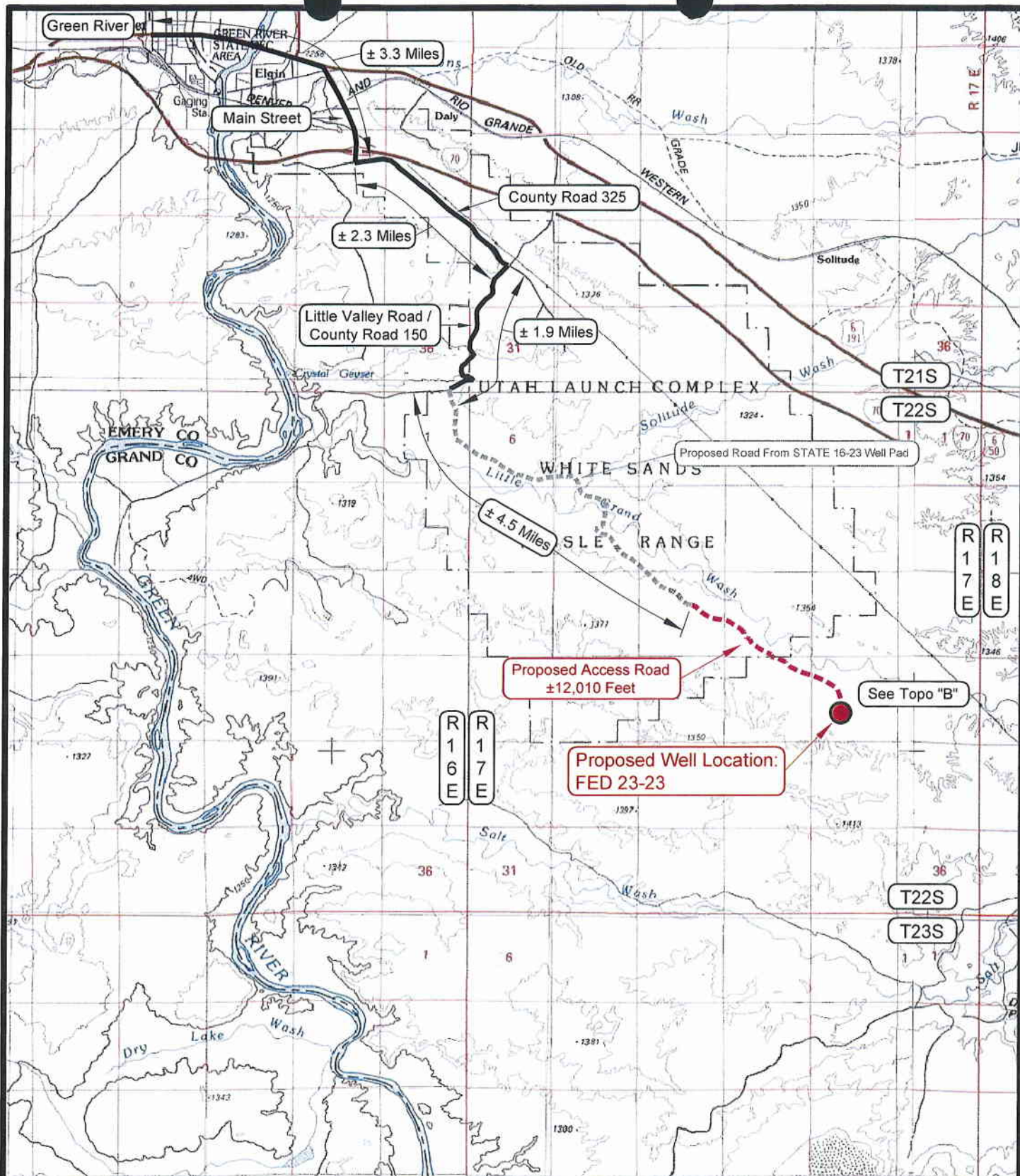
REVISED:

Timberline

Engineering & Land Surveying, Inc.
 38 WEST 100 NORTH VERNAL, UTAH 84078

(435) 789-1365

SHEET
1
OF 8



LEGEND

PROPOSED ACCESS ROAD
 --- = SUBJECT WELL
 --- = OTHER WELLS
 --- = EXISTING ROAD
 --- = EXISTING ROAD (TO BE IMPROVED)

(B-5460) = COUNTY ROAD CLASS & NUMBER

TOPOGRAPHIC MAP "A"

SCALE: 1:100,000

DRAWN BY: E.M.S.

DATE SURVEYED: 08-13-08

DATE DRAWN: 08-19-08

REVISED:

LIBERTY PIONEER ENERGY SOURCE

FED 23-23
SECTION 23, T22S, R17E, S.L.B.&M.
1831' FSL & 1856' FWL

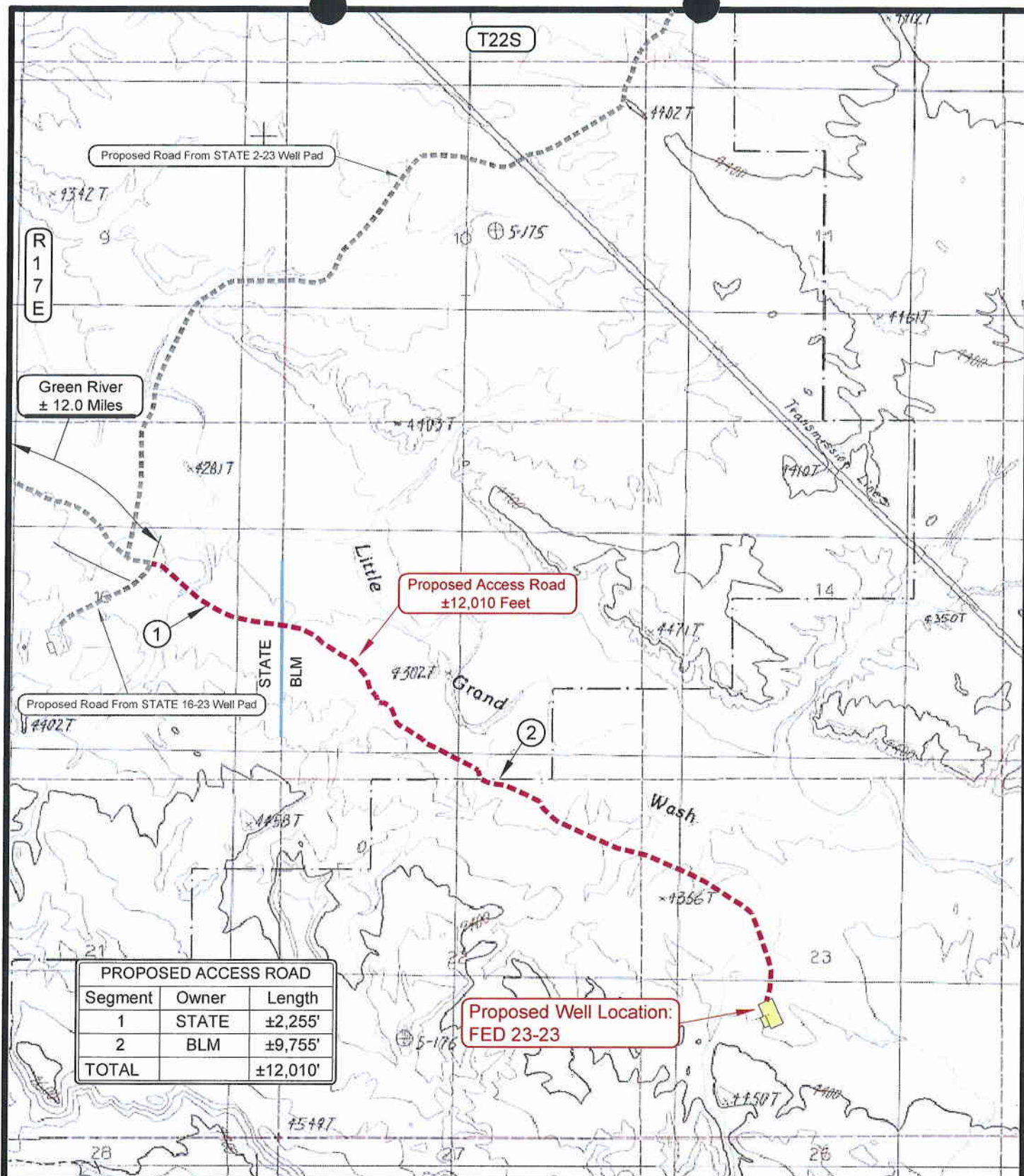
Timberline

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 Engineering & Land Surveying, Inc.
 38 WEST 100 NORTH VERNAL, UTAH 84078

SHEET

6

OF 8



LEGEND

- PROPOSED ACCESS ROAD
 - = SUBJECT WELL
 - = OTHER WELLS
 - = EXISTING ROAD
 - = EXISTING ROAD (TO BE IMPROVED)
 - (B-5460) = COUNTY ROAD CLASS & NUMBER
- = LEASE LINE AND / OR PROPERTY LINE

TOPOGRAPHIC MAP "B"

SCALE: 1" = 2000'

DRAWN BY: E.M.S.

DATE SURVEYED: 08-13-08

DATE DRAWN: 08-19-08

REVISED:

LIBERTY PIONEER ENERGY SOURCE

FED 23-23
SECTION 23, T22S, R17E, S.L.B.&M.
1831' FSL & 1856' FWL

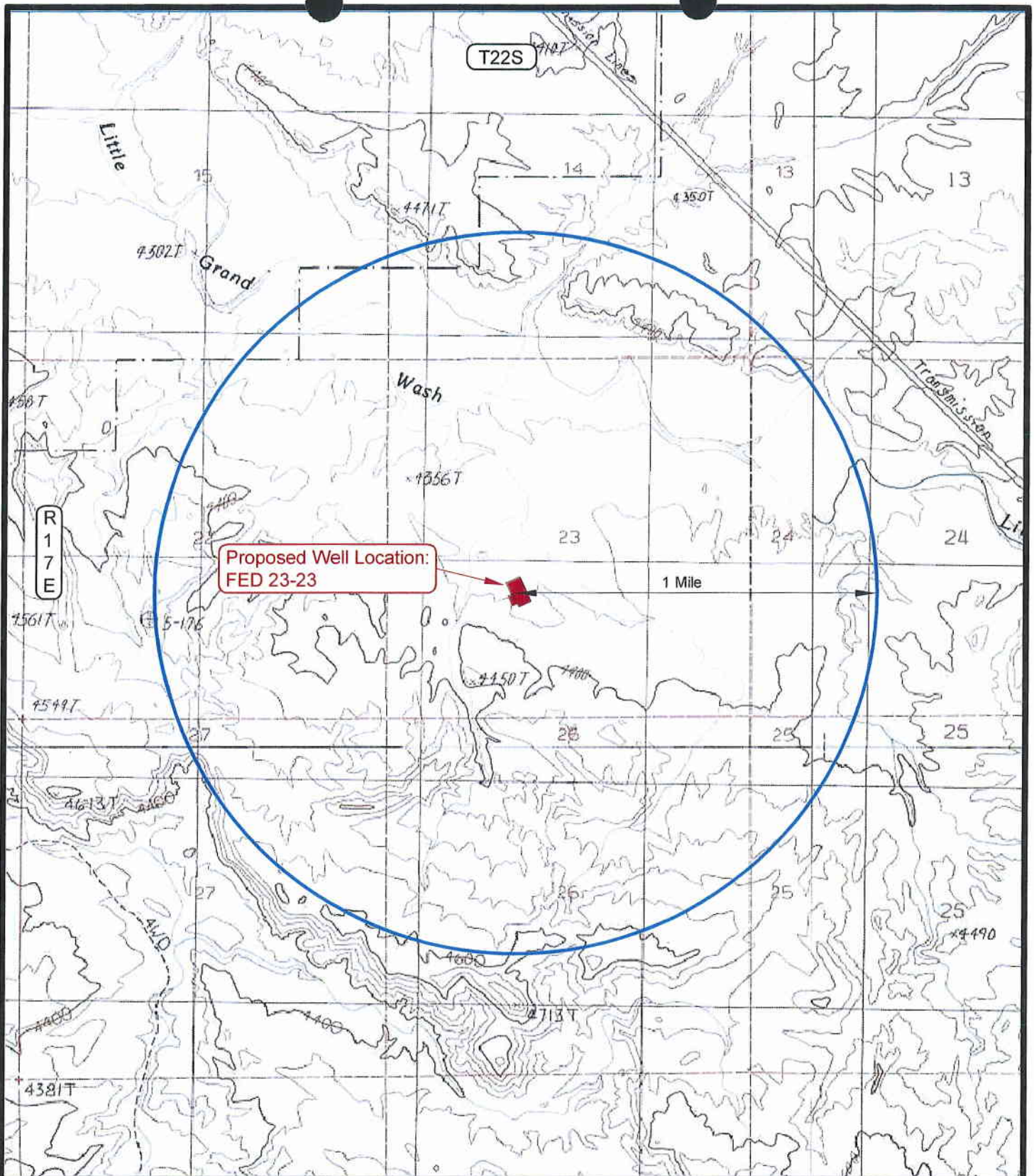
Timberline

(435) 789-1365
 Engineering & Land Surveying, Inc.
 38 WEST 100 NORTH VERNAL, UTAH 84078

SHEET

7

OF 8



LEGEND

- | | |
|--------------------|--------------------------------|
| ⊗ = DISPOSAL WELL | ⊗ = WATER WELL |
| ● = PRODUCING WELL | ● = ABANDONED WELL |
| ● = SHUT IN WELL | ● = TEMPORARILY ABANDONED WELL |
| ○ = PROPOSED WELL | ⊕ = ABANDONED LOCATION |

TOPOGRAPHIC MAP "C"

SCALE: 1" = 2000'

DRAWN BY: E.M.S.

DATE SURVEYED: 08-13-08

DATE DRAWN: 08-20-08

REVISED:

LIBERTY PIONEER ENERGY SOURCE

FED 23-23
SECTION 23, T22S, R17E, S.L.B.&M.
1831' FSL & 1856' FWL

Timberline

(435) 789-1365
 Engineering & Land Surveying, Inc.
 38 WEST 100 NORTH VERNAL, UTAH 84078

SHEET

8

OF 8

LIBERTY PIONEER ENERGY SOURCE
FED 23-23
Section 23, T22S, R17E, S.L.B.&M.

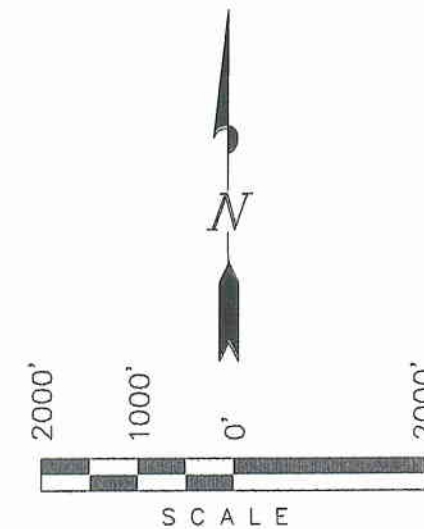
FROM GREEN RIVER, UTAH PROCEED IN A SOUTHEASTERLY THEN SOUTHERLY DIRECTION ALONG MAIN STREET APPROXIMATELY 3.3 MILES TO THE INTERSECTION OF COUNTY ROAD 325. EXIT LEFT AND PROCEED IN AN EASTERLY THEN SOUTHEASTERLY DIRECTION ALONG COUNTY ROAD 325 APPROXIMATELY 2.3 MILES TO THE INTERSECTION OF THE LITTLE VALLEY ROAD (COUNTY ROAD 150). EXIT RIGHT AND PROCEED ALONG THE LITTLE VALLEY ROAD IN A SOUTHWESTERLY DIRECTION APPROXIMATELY 1.9 MILES TO THE PROPOSED ACCESS ROAD FOR STATE 16-23 WELL LOCATION. FOLLOW STATE 16-23 ROAD FLAGS IN A SOUTHERLY THEN SOUTHEASTERLY DIRECTION APPROXIMATELY 4.5 MILES TO THE PROPOSED ACCESS ROAD. FOLLOW ROAD FLAGS IN A SOUTHEASTERLY DIRECTION APPROXIMATELY 12,010 FEET TO THE PROPOSED LOCATION.

TOTAL DISTANCE FROM GREEN RIVER, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 14.3 MILES IN A SOUTHEASTERLY DIRECTION.

LIBERTY PIONEER ENERGY SOURCE

RIGHT-OF-WAY MAP

Located in
Section 36, T21S, R16E, S.L.B.&M. &
Section 1, T22S, R16E, S.L.B.&M. &
Sections 2, 3, 5, 6, 8, 9, 10, 15, 16, 22 & 23,
T22S, R17E, S.L.B.&M.
GRAND COUNTY, UTAH

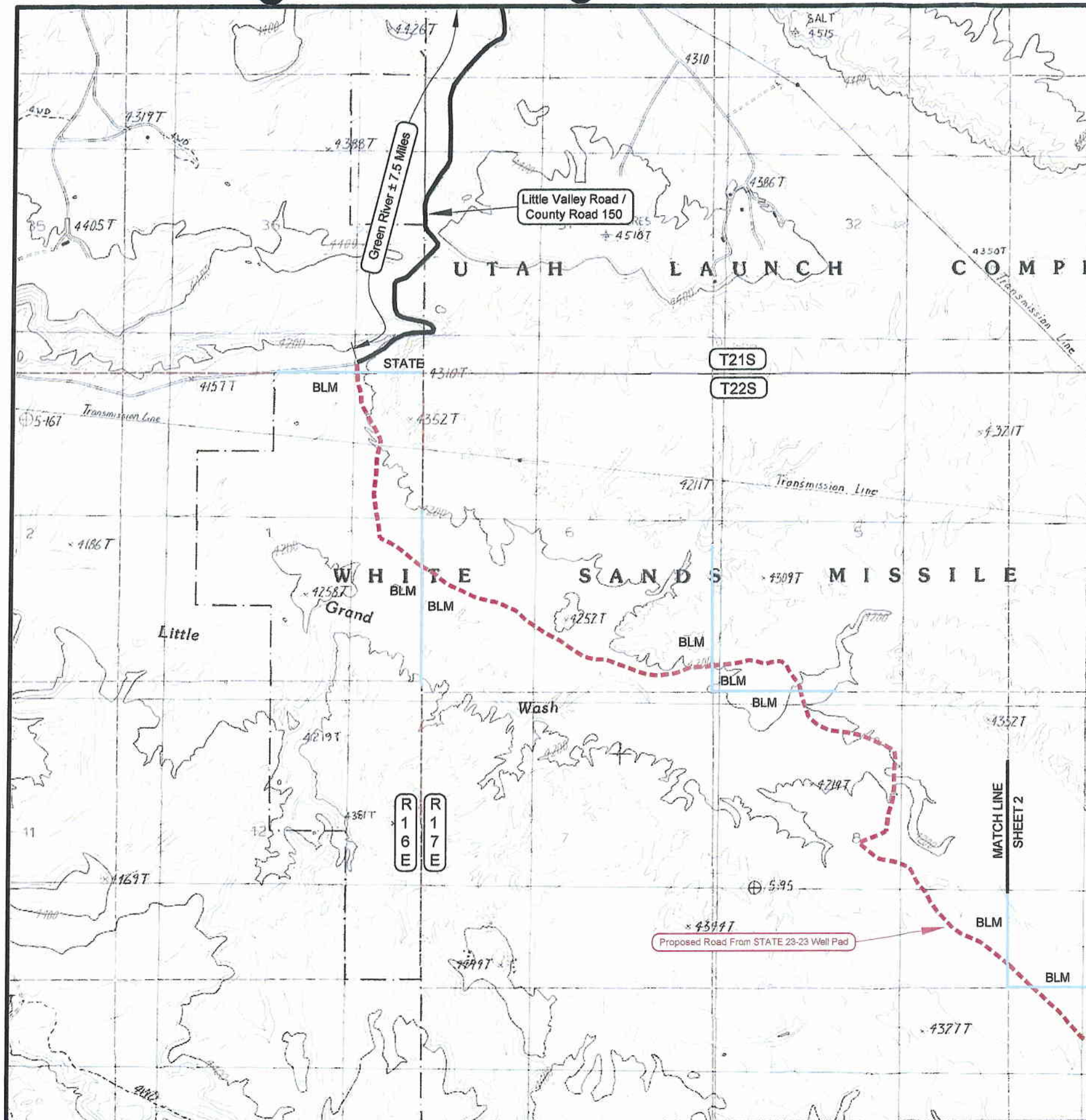


- LEGEND
- PROPOSED ACCESS ROAD
 - SUBJECT WELL
 - OTHER WELLS
 - EXISTING ROAD
 - EXISTING ROAD (TO BE IMPROVED)
 - B-5460 = COUNTY ROAD CLASS & NUMBER
 - LEASE LINE AND / OR PROPERTY LINE

SURVEYED BY: B.J.S.
DRAWN BY: M.W.W.
DATE: 08-19-08
SCALE: 1" = 2000'
FILE:

Timberline
Engineering & Land Surveying
38 West 100 North • Vernal, Utah
(435) 789-1365

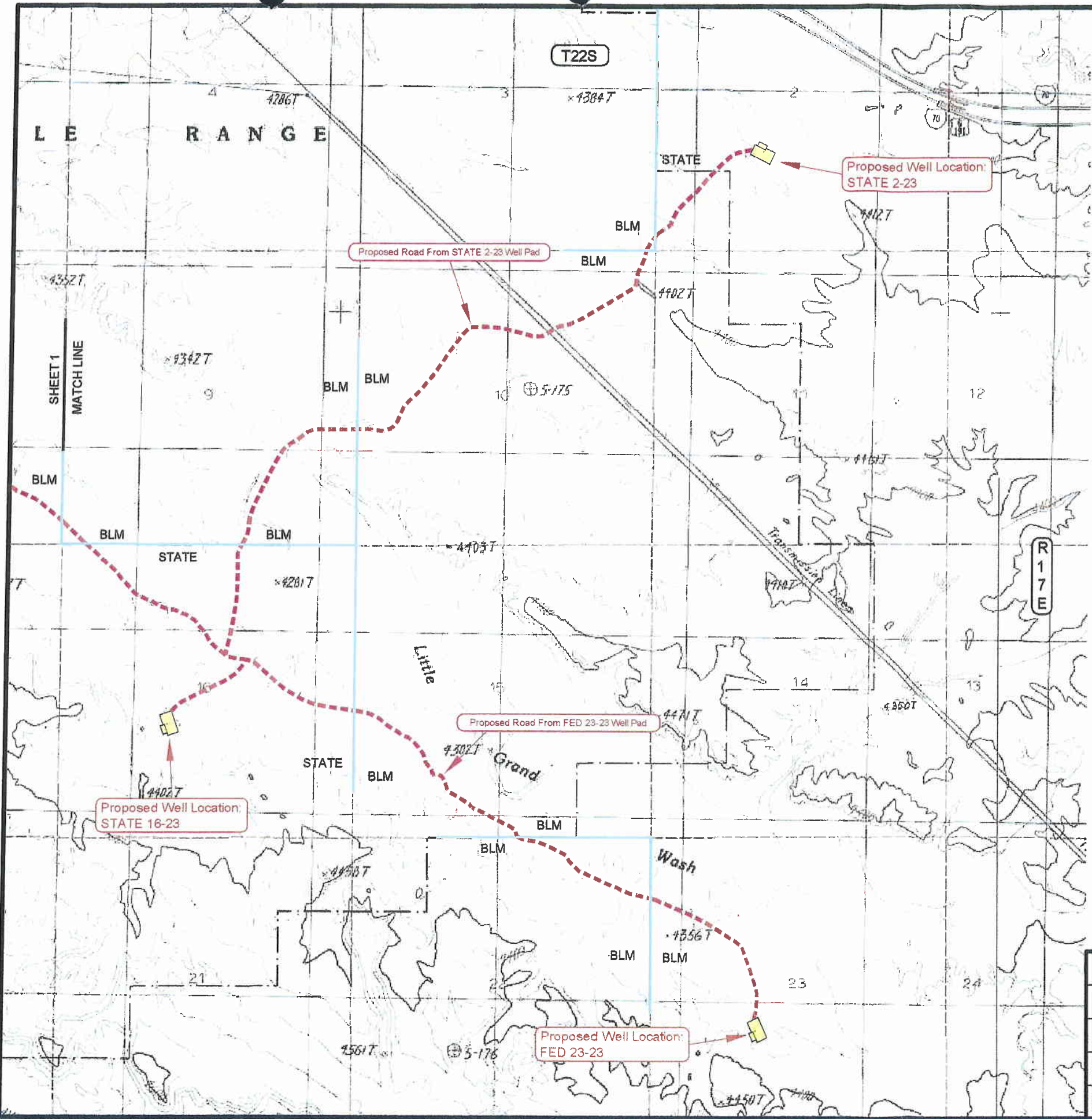
SHEET
1
OF 2



LIBERTY PIONEER ENERGY SOURCE

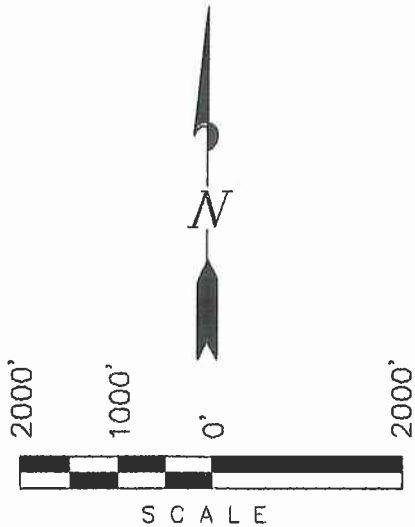
RIGHT-OF-WAY MAP

Located in
Section 36, T21S, R16E, S.L.B.&M. &
Section 1, T22S, R16E, S.L.B.&M. &
Sections 2, 3, 5, 6, 8, 9, 10, 15, 16, 22 & 23,
T22S, R17E, S.L.B.&M.
GRAND COUNTY, UTAH



| STATE 2-23 PROPOSED ACCESS ROAD | | |
|------------------------------------|-------|----------|
| Section | Owner | Length |
| T22S, R17E, S.L.B.&M. | | |
| 2 | STATE | ±2,352' |
| 3 | BLM | ±367' |
| 9 | BLM | ±3,292' |
| 10 | BLM | ±6,823' |
| 16 | STATE | ±2,041' |
| TOTAL | | ±14,875' |

| FED 23-23 PROPOSED ACCESS ROAD | | |
|-----------------------------------|-------|----------|
| Section | Owner | Length |
| T21S, R16E, S.L.B.&M. | | |
| 36 | STATE | ±159' |
| T22S, R16E, S.L.B.&M. | | |
| 1 | BLM | ±3,985' |
| T22S, R17E, S.L.B.&M. | | |
| 5 | BLM | ±1,932' |
| 6 | BLM | ±5,704' |
| 8 | BLM | ±7,668' |
| 9 | BLM | ±594' |
| 15 | BLM | ±3,885' |
| 16 | STATE | ±5,952' |
| 22 | BLM | ±2,700' |
| 23 | BLM | ±3,169' |
| TOTAL | | ±35,748' |



| STATE 16-23 PROPOSED ACCESS ROAD | | |
|-------------------------------------|-------|---------|
| Section | Owner | Length |
| T22S, R17E, S.L.B.&M. | | |
| 16 | STATE | ±1,622' |
| TOTAL | | ±1,622' |

SURVEYED BY: B.J.S.
DRAWN BY: M.W.W.
DATE: 08-19-08
SCALE: 1" = 2000'
FILE:

Timberline
Engineering & Land Surveying
38 West 100 North • Vernal, Utah
(435) 789-1365

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 10/01/2008

API NO. ASSIGNED: 43-019-31607

WELL NAME: FEDERAL 23-23

OPERATOR: LIBERTY PIONEER ENERGY (N2855)

PHONE NUMBER: 801-224-4771

CONTACT: DON HAMILTON

PROPOSED LOCATION:

NESW 23 220S 170E

SURFACE: 1831 FSL 1856 FWL

BOTTOM: 1831 FSL 1856 FWL

COUNTY: GRAND

LATITUDE: 38.88118 LONGITUDE: -110.0154

UTM SURF EASTINGS: 585402 NORTHINGS: 4303843

FIELD NAME: WILDCAT (1)

| INSPECT LOCATN BY: / / | | |
|------------------------|----------|------|
| Tech Review | Initials | Date |
| Engineering | | |
| Geology | | |
| Surface | | |

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-084260

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: SALT

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat
☒ Bond: Fed[] Ind[] Sta[] Fee[]
(No. UTB0000334)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
(No. 91-5140)
☒ RDCC Review (Y/N)
(Date: _____)
☒ Fee Surf Agreement (Y/N)
☒ Intent to Commingle (Y/N)

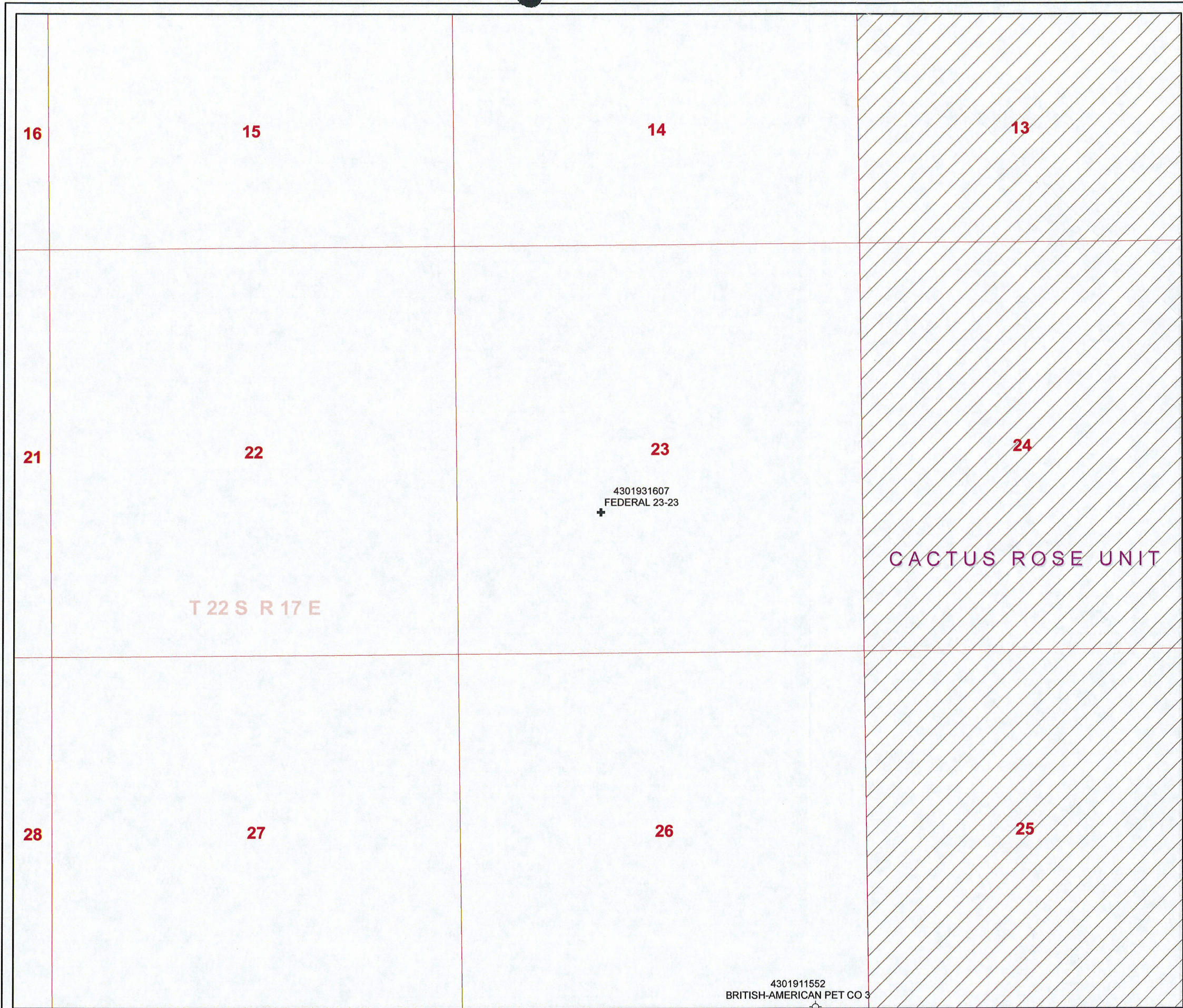
LOCATION AND SITING:

____ R649-2-3.
Unit: _____
☒ R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
____ R649-3-3. Exception
____ Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
____ R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: _____

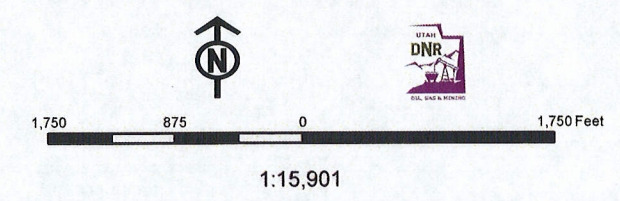
1- Federal Approval
2- Spacing Strip



API Number: 4301931607
Well Name: FEDERAL 23-23
Township 22.0 S Range 17.0 E Section 23
Meridian: SLBM
Operator: LIBERTY PIONEER ENERGY SOU

Map Prepared:
Map Produced by Diana Mason

- | Units | Wells Query Events |
|---------------|----------------------|
| STATUS | <Null> |
| ACTIVE | APD |
| EXPLORATORY | DRL |
| GAS STORAGE | GI |
| NF PP OIL | GS |
| NF SECONDARY | LA |
| PI OIL | NEW |
| PP GAS | OPS |
| PP GEOTHERML | PA |
| PP OIL | PGW |
| SECONDARY | POW |
| TERMINATED | RET |
| Fields | SGW |
| STATUS | SOW |
| ACTIVE | TA |
| COMBINED | TW |
| Sections | WD |
| Township | WI |
| | WS |
| | Bottom Hole Location |



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

| | | |
|--|--|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU-084260 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator Liberty Pioneer Energy Source, Inc. | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address 1411 East 840 North Orem, Utah 84097 | 3b. Phone No. (include area code) 801-224-4771 | 8. Lease Name and Well No. Federal 23-23 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1,831' FSL & 1,856' FWL, NE/4 SW/4, At proposed prod. zone | | 9. API Well No. 43-019-31607 |
| 10. Field and Pool, or Exploratory Exploratory | | 11. Sec., T. R. M. or Blk. and Survey or Area Section 23, T22S, R17E, SLB&M |
| 12. County or Parish Grand | | 13. State UT |
| 14. Distance in miles and direction from nearest town or post office* 9.46 miles southeast of Green River, Utah. | | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,856' | 16. No. of acres in lease 1280 acres | 17. Spacing Unit dedicated to this well 40 acres |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A | 19. Proposed Depth 11,550' | 20. BLM/BIA Bond No. on file UTB-00034 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,330.4' Ungraded Ground | 22. Approximate date work will start* 12/15/2008 | 23. Estimated duration 53 drilling |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

| | | |
|---|--|---------------------------|
| 25. Signature Don Hamilton | Name (Printed/Typed) Don Hamilton | Date 09/29/2008 |
| Title Agent for Liberty Pioneer Energy Source, Inc. | | |
| Approved by (Signature) [Signature] | Name (Printed/Typed) BRADLEY G. HILL | Date 02-10-09 |
| Title Office ENVIRONMENTAL MANAGER | | |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

**Federal Approval of this
Action is Necessary**

RECEIVED

DEC 15 2008

DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

February 10, 2009

Liberty Pioneer Energy Source, Inc.
1411 East 840 North
Orem, UT 84097

Re: Federal 23-23 Well, 1831' FSL, 1856' FWL, NE SW, Sec. 23, T. 22 South, R. 17 East,
Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31607.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Grand County Assessor
Bureau of Land Management, Moab Office



Operator: Liberty Pioneer Energy Source, Inc.

Well Name & Number Federal 23-23

API Number: 43-019-31607

Lease: UTU-084260

Location: NE SW Sec. 23 T. 22 South R. 17 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dustin Doucet at (801) 538-5281 (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

| ROUTING | |
|---------|--|
| 1. DJJ | |
| 2. CDW | |

X - Change of Operator (Well Sold)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

1/15/2009

| | |
|--|---|
| FROM: (Old Operator): N2855-Liberty Pioneer Energy Source, Inc. 1411 E 840 N Orem, UT 84097 Phone: 1 (801) 224-4771 | TO: (New Operator): N3155-Fidelity E&P Company 1700 Lincoln St, Suite 2800 Denver, CO 80203 Phone: 1 (720) 931-9637 |
|--|---|

CA No.

Unit:

| WELL NAME | SEC | TWN | RNG | API NO | ENTITY NO | LEASE TYPE | WELL TYPE | WELL STATUS | |
|---------------|-----|------|------|------------|-----------|------------|-----------|-------------|---|
| STATE 2-44 | 02 | 22OS | 170E | 4301931604 | | State | GW | APD | C |
| FEDERAL 23-23 | 23 | 22OS | 170E | 4301931607 | | Federal | GW | APD | C |

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on 2/5/2009
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 2/5/2009
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 1/21/2009
- Is the new operator registered in the State of Utah: _____ Business Number: 4917099-0143
- (R649-9-2)Waste Management Plan has been received on: IN PLACE
- Inspections of LA PA state/fee well sites complete on: n/a
- Reports current for Production/Disposition & Sundries on: _____
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA n/a
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: n/a
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 2/26/2009
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 2/26/2009
- Bond information entered in RBDMS on: 2/26/2009
- Fee/State wells attached to bond in RBDMS on: 2/26/2009
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 2/5/2009

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: CO1345
- Indian well(s) covered by Bond Number: n/a
- (R649-3-1) The **NEW** operator of any state/fee well(s) listed covered by Bond Number 190017646
- The **FORMER** operator has requested a release of liability from their bond on: n/a

LEASE INTEREST OWNER NOTIFICATION:

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

COMMENTS:

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

| | |
|---|---|
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | 5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-084260 |
| 2. NAME OF OPERATOR: Liberty Pioneer Energy Source, Inc. <i>N 2855</i> | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A |
| 3. ADDRESS OF OPERATOR: 1411 East 840 North CITY Orem STATE UT ZIP 84097 | 7. UNIT or CA AGREEMENT NAME: N/A |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 1,831' FSL & 1,856' FWL | 8. WELL NAME and NUMBER: Federal 23-23 |
| PHONE NUMBER: 801-224-4771 | 9. API NUMBER: 4301931607 |
| 10. FIELD AND POOL, OR WILDCAT: undesignated | |

FOOTAGES AT SURFACE: 1,831' FSL & 1,856' FWL

COUNTY: Grand

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NESW 23 22S 17E S

STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: January 15, 2009 | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input checked="" type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> CHANGE WELL NAME | <input type="checkbox"/> PLUG BACK | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> PRODUCTION (START/RESUME) | <input type="checkbox"/> WATER SHUT-OFF |
| | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input type="checkbox"/> OTHER: _____ |
| | <input type="checkbox"/> CONVERT WELL TYPE | <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION | |

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Effective January 15, 2009 Liberty Pioneer Energy Source, Inc. resigned as Operator of the referenced well and requests that the operator be designated and the referenced unapproved APD transferred from Liberty Pioneer Energy Source to successor operator Fidelity Exploration & Production Company.

Fidelity Exploration & Production Company will operate the well under the approved conditions and submitted APD utilizing Utah Blanket Bond Number 190017646 and BLM Blanket Bond CO1345.

Liberty Pioneer Energy Source, Inc.

[Signature]
Daniel H. Gunnell - President

*N 3155
Fidelity E+P Co
1700 Lincoln St Suite 2800
Denver CO 80203
720 931-9637*

| | |
|--|--|
| NAME (PLEASE PRINT) <u>Stephanie Masters</u> | TITLE <u>Operations-Southern Rockies</u> |
| SIGNATURE <i>Stephanie Masters</i> | DATE <u>January 12, 2009</u> |

(This space for State use only) APPROVED 2/26/2009

Earlene Russell
Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

(See Instructions on Reverse Side)

RECEIVED

FEB 05 2009

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Request to Transfer Application or Permit to Drill

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

| | |
|---|--|
| Well name: | Federal 23-23 |
| API number: | 4301931607 |
| Location: | Qtr-Qtr: NESW Section: 23 Township: 22S Range: 17E |
| Company that filed original application: | Liberty Pioneer Energy Source, Inc. |
| Date original permit was issued: | |
| Company that permit was issued to: | Liberty Pioneer Energy Source, Inc. |

| Check one | Desired Action: |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Transfer pending (unapproved) Application for Permit to Drill to new operator |
| | The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application. |
| <input type="checkbox"/> | Transfer approved Application for Permit to Drill to new operator |
| | The undersigned as owner with legal rights to drill on the property as permitted, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. |

| Following is a checklist of some items related to the application, which should be verified. | Yes | No |
|---|-------------------------------------|-------------------------------------|
| If located on private land, has the ownership changed? | | <input checked="" type="checkbox"/> |
| If so, has the surface agreement been updated? | | |
| Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? | | <input checked="" type="checkbox"/> |
| Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? | | <input checked="" type="checkbox"/> |
| Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location? | | <input checked="" type="checkbox"/> |
| Has the approved source of water for drilling changed? | | <input checked="" type="checkbox"/> |
| Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? | | <input checked="" type="checkbox"/> |
| Is bonding still in place, which covers this proposed well? Bond No. _____ | <input checked="" type="checkbox"/> | |

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) Stephanie Masters Title Operations Tech Southern Rockies
Signature Stephanie Masters Date January 22, 2009
Representing (company name) Fidelity Exploration & Production Co.

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2009 FEB 19

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU-084260 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator Fidelity Exploration & Production Company | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address 2585 Heartland Drive Sheridan, Wyoming 82836 | | 8. Lease Name and Well No. Federal 23-23 |
| 3b. Phone No. (include area code) 307-675-4924 | | 9. API Well No. 4301931607 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1,831' FSL & 1,856' FWL, NE/4 SW/4, At proposed prod. zone | | 10. Field and Pool, or Exploratory Exploratory |
| 14. Distance in miles and direction from nearest town or post office* 9.46 miles southeast of Green River, Utah. | | 11. Sec., T. R. M. or Blk. and Survey or Area Section 23, T22S, R17E, SLB&M |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,856' | 16. No. of acres in lease 1280 acres | 17. Spacing Unit dedicated to this well 40 acres |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A | 19. Proposed Depth 11,550' 10,650' | 20. BLM/BIA Bond No. on file CO1345 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,330.4' Ungraded Ground | 22. Approximate date work will start* 12/15/2008 | 23. Estimated duration 53 drilling |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

| | | |
|-----------------------------------|---|---------------------------|
| 25. Signature Don Hamilton | Name (Printed/Typed) Don Hamilton | Date 09/29/2008 |
|-----------------------------------|---|---------------------------|

Title
Agent for Fidelity Exploration & Production Company

| | | |
|--|--|------|
| Approved by (Signature) /s/ A. Lynn Jackson | Name (Printed/Typed) /s/ A. Lynn Jackson | Date |
|--|--|------|

| | |
|--|--|
| Title Assistant Field Manager, Division of Resources | Office Division of Resources Mcab Field Office |
|--|--|

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

CONDITIONS OF APPROVAL ATTACHED
RECEIVED

MAR 16 2009

DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
*Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.*

5. Lease Serial No.

UTB-84260

6. If Indian, Allottee or Tribe Name

N/A

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well

☒ Gas Well

☐ Other

7. If Unit of CA/Agreement, Name and/or No.

N/A

2. Name of Operator

Fidelity Exploration & Production Company

8. Well Name and No.

Federal 23-23

3a. Address

2585 hearland Drive
Sheridan, Wyoming 82836

3b. Phone No. (include area code)

307-675-4924

9. API Well No.

43-019-31607

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1,831' FSL & 1,856' FWL NE/4 SW/4, Sec. 23, T22S, R17E, SLB&M,

10. Field and Pool or Exploratory Area

Undesignated

11. Country or Parish, State

Grand County, Utah

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

TYPE OF ACTION

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other Change of Operator

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Effective January 15, 2009 Liberty Pioneer Energy Source, Inc. resigned as Operator of the referenced well and requests that the operator be designated and the referenced unapproved APD transferred from Liberty Pioneer Energy Source to successor operator Fidelity Exploration & Production Company.

Fidelity Exploration & Production Company will operate the well under the approved conditions and submitted APD utilizing Utah Blanket Bond Number 190017646 and BLM Blanket Bond CO1345.

Liberty Pioneer Energy Source, Inc.

Daniel R. Gunnell - President

Fidelity Exploration & Production Company

Marv Rygh- VP-Southern Rockies

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Marv Rygh

Title VP- Southern Rockies

Signature

Date 02/09/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

ACCEPTED

Title

Division of Resources

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Moab Field Office

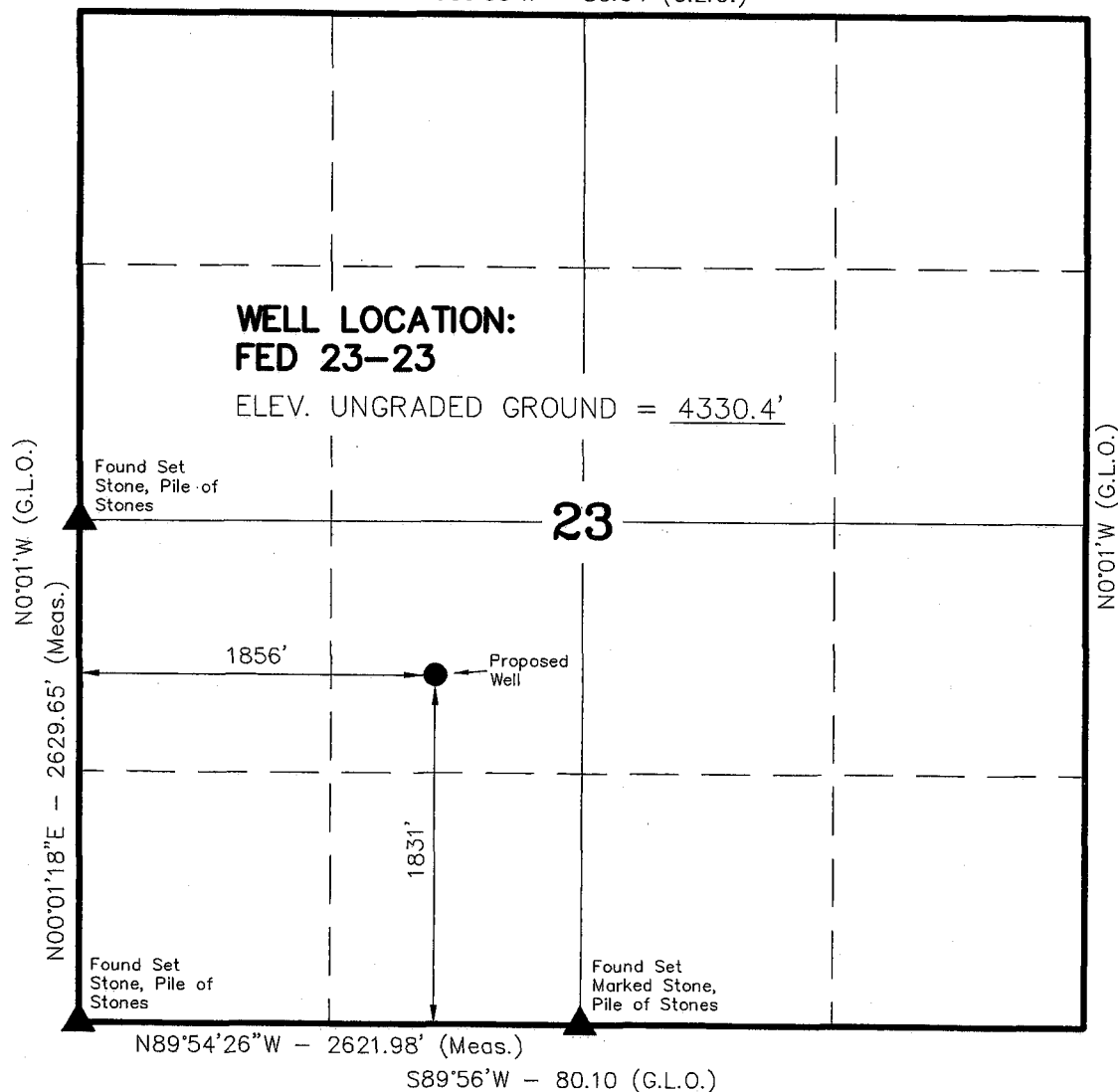
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

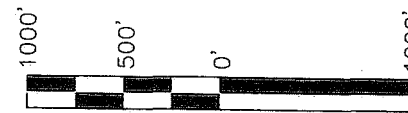
T22S, R17E, S.L.B.&M.

LIBERTY PIONEER ENERGY SOURCE

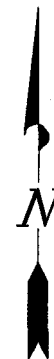
S89°59'W - 80.04 (G.L.O.)



WELL LOCATION, FED 23-23, LOCATED AS SHOWN IN THE NE 1/4 SW 1/4 OF SECTION 23, T22S, R17E, S.L.B.&M. GRAND COUNTY, UTAH.



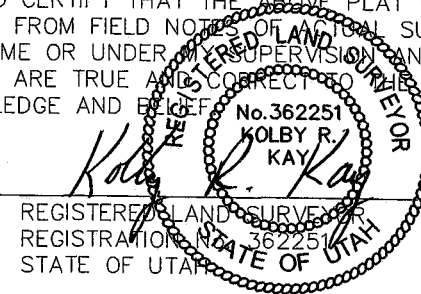
SCALE



NOTES:

1. Well footages are measured at right angles to the Section Lines.
2. G.L.O. distances are shown in feet or chains. 1 chain = 66 feet.
3. Bearings are based on Global Positioning Satellite observations.

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF LAND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.



▲ = SECTION CORNERS LOCATED

BASIS OF ELEVATION IS A SPOT ELEVATION AT THE NORTHEAST CORNER OF SECTION 2, T22S, R17E, S.L.B.&M. THE ELEVATION OF THIS SECTION CORNER IS SHOWN ON THE GREEN RIVER NE 7.5 MIN. QUADRANGLE AS BEING 4401'.

FED 23-23
(Proposed Well Head)
NAD 83 Autonomous
 LATITUDE = 38° 52' 52.32"
 LONGITUDE = 110° 00' 58.00"

TIMBERLINE (435) 789-1365
ENGINEERING & LAND SURVEYING, INC.
 209 NORTH 300 WEST - VERNAL, UTAH 84078

| | | |
|----------------------------|--------------------------------|---|
| DATE SURVEYED: 08-13-08 | SURVEYED BY: B.J.S. | SHEET 2 OF 8 |
| DATE DRAWN: 08-22-08 | DRAWN BY: M.W.W. | |
| SCALE: 1" = 1000' | Date Last Revised: 01-19-09 | |

Fidelity Exploration & Production Company
Federal 23-23
Lease UTU-84260
NE/SW Sec. 23, T22S, R17E
Grand County, Utah

A COMPLETE COPY OF THIS APPROVED PERMIT and Conditions of Approval shall be maintained on location during all construction and drilling operations, and shall be available to contractors to ensure compliance.

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Fidelity Exploration & Production Company is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by **CO1395** (Principal – Fidelity Exploration & Production Company) via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

This permit will be valid for a period of two years from the date of approval. An extension of this permit will be considered only if a written request is received prior to APD expiration. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, will be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

A. DRILLING PROGRAM

1. A 5M BOP system is adequate down to the intermediate casing point of approximately 6930'. If a 10M BOP is utilized to drill this interval, it is acceptable to equip, configure and test the system to 5M standards. A rotating head shall be utilized during air/mist drilling operations.
2. A 10M pressure control system is adequate for anticipated drilling conditions below the intermediate casing point. All components of the system shall be rated to a working pressure of 10M, including the annular preventer. Additional requirements of 10M BOPE systems, that were not addressed in the application, include, but are not limited to (please refer to Onshore Oil & Gas Order No. 2 for further detail):

- mud/gas separator,
- remote kill line running unobstructed to the edge of the substructure,

Installation, testing and operation of the BOP system shall be in conformance with Onshore Oil and Gas Order No. 2.

3. Drilling reports, which describe the activities of each day, shall be submitted to the BLM Moab Field Office on a weekly, or more frequent, basis. In addition to a daily summary of activities, drilling reports shall include the drilling fluid weight, details of casing and cement, water flows, lost circulation zones and any other information that would contribute to the understanding of drilling conditions.
4. If returns are lost while cementing the surface casing and cement does not circulate to surface, contact BLM Petroleum Engineer, Eric Jones at 435-259-2117 office, 435-259-2214 home or 435-260-8686 cell. Do not initiate a top-job without his concurrence.
5. A pressure integrity test of the intermediate casing shoe/formation shall be conducted prior to drilling more than 20 feet below the shoe. This is test the casing shoe to the equivalent mud weight that it is expected to be exposed to. This is not intended to be a leak-off test.
6. Concurrent approval from the State of Utah, Division of Oil, Gas & Mining (DOGM) is required.

B. Surface Conditions of Approval

Cultural:

1. To protect cultural Resources the operator shall: (1) notify the contractor of his responsibilities for informing employees/sub-contractors of the potential for prosecution if cultural resources were disturbed, and (2) review procedures for stopping work and notifying BLM if cultural resources were found while working on the project.
2. Should any cultural resources be unearthed, surface-disturbing activities would be re-routed to avoid or halted until the cultural sites/artifacts can be evaluated for significance, and a mitigation/salvage plan be formulated. These actions would successfully mitigate possible impacts to cultural resources such that detailed analysis is not required.

Road Construction/Maintenance:

1. All soil and gravel brought in from off site for road or pad construction need to come from a pit free of invasive, non-native species.
2. Impacts from new well pad and road construction would be minimized by appropriate drainage control (ie. water bars, low water crossings in ephemeral drainages, etc). If the wells go into production, mitigation of impacts to soils would include 1) upgrading roads to BLM Gold Book standards and 2) reclamation of any unused areas (ie. wellpads, unneeded road access). If the wells are not produced, then reclamation would mitigate and reduce impacts to soils.
3. The operator shall maintain the existing roads in a safe, usable condition, as directed by the Moab Field Office. The maintenance program shall include, but is not limited to, blading, ditching, installing culverts, and if needed, surfacing the road with rock materials. The operator shall conduct all activities associated with the Grand County roads within the existing surface disturbances of the maintained roads. The operator shall repair all damages to the county roads resulting from traffic associated with constructing, drilling, and producing the well.
4. The operator shall not block access to roads that intersect with the main roads being used to drill these wells. If blading a road for maintenance, the operator must make sure to remove any windrow that crosses another road.
5. Turnarounds needed during the construction of the roads will be reviewed in the field prior to approval. Turnarounds will not be allowed at a frequency greater than 1 per mile of road.

Well Pad and Facility Construction/Maintenance:

1. For pits that need to be shot with explosives to get designed depth: If water is discovered in the course of drilling shot holes, the holes will not be loaded or shot, the pit will be abandoned and the operator will be required to drill the well with a closed-loop system.
2. The pit will not be left open for more than 1 year from the completion of drilling activities. If necessary the pit fluids will be drained and then closed prior to the 1 year deadline.
3. The operator will paint all permanent (in place for 6 months or more) above ground structures a color that will match the surrounding environment. The color that has been chosen for this location is Shale Green (see attached color chart).
4. The operator shall salvage the topsoil from entire disturbed area of the location prior to construction of the pad. This includes removal of topsoil from the areas where spoil piles will be stored.

Wastes:

1. All Federal and State laws would be followed regarding use, storage and disposal of hazardous materials and solid wastes.
2. No produced water or other fluids will be disposed on the well pad or roads.

Soils/Dust:

1. To protect wet soils, no surface disturbing activities would be allowed during the period from December 1 to May 31. This restriction includes heavy equipment traffic on existing roads associated with drilling operations. Exceptions may be granted to this limitation and will be specified in writing by the Moab Field Office.
Exception: Due to the currently dry conditions in the area of this location an exception has been granted for work to be completed prior to the May 31, 2009 close of this stipulation.
2. Dust control will be provided during construction and drilling operations by spraying fresh water on new road construction, roads being maintained or utilized, and the well pad as needed.

Noxious/Invasive Weeds:

1. To reduce the opportunity to transport invasive and/or noxious weeds, the operator will be required to wash all vehicles and equipment before mobilizing into the project area to begin any dirt work or drilling activities.
2. The operator will be responsible for weed control on the disturbed areas within the limits of the well pad and road construction. The operator will be responsible for consultation with the authorized officer and/or local authorities for acceptable weed control methods.
3. The operator will monitor for noxious weeds that might move onto the location. If any are discovered an Integrated Pest Management Plan will be created and need BLM approval prior to beginning any treatment program.

Reclamation:

1. Drill pad and new road to a non-producing well should be reclaimed. Reclamation should include removal of new road (including surfacing materials) and reseeding the disturbed area with the seed mix listed in COA#3 below.
2. At the end of drilling operations and prior to reclamation of the reserve pit, the top of the pit will be covered with netting of one inch or less to prevent access by birds while the pit is drying.
3. For reclamation the operator will drill seed on the contour to a depth of 0.5 inch, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. Use the following seed mix:

8-12" Precipitation Zone

| Species – Cultivar | % in Mix | Lbs PLS* |
|---------------------------|-----------------|-----------------------|
| Indian Ricegrass | 60 | 6 |
| Shadscale | 20 | 2 |
| Fourwing Saltbush | 20 | 2 |
| Totals | 100% | 10.00 lbs/acre |

*PLS = pure live seed

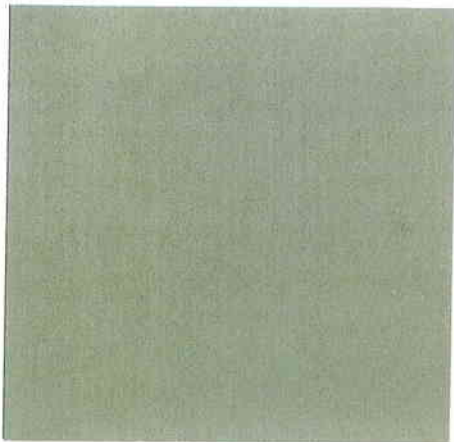
*Double this rate if broadcast seeding

4. Slopes too steep for machinery may be hand broadcast and raked with twice the specified amount of seed.

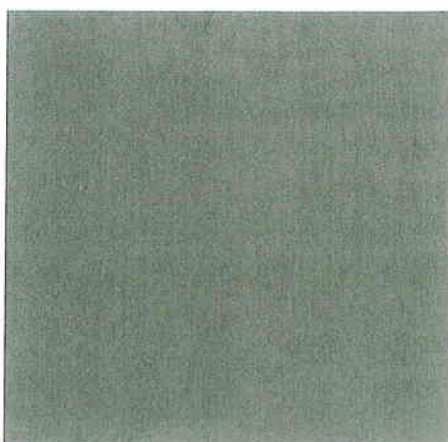
Other:

1. Please contact Ben Kniola, Natural Resource Specialist, @ (435) 259-2127, Bureau of Land Management, Moab, if there are any questions concerning these surface use COAs.

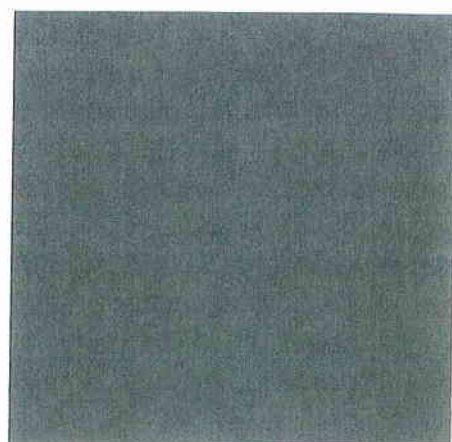
Standard Environmental Colors



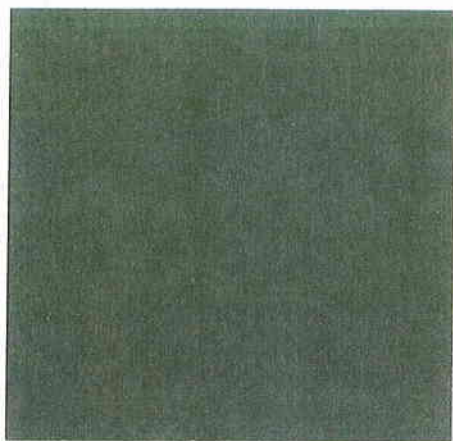
Carlsbad Canyon



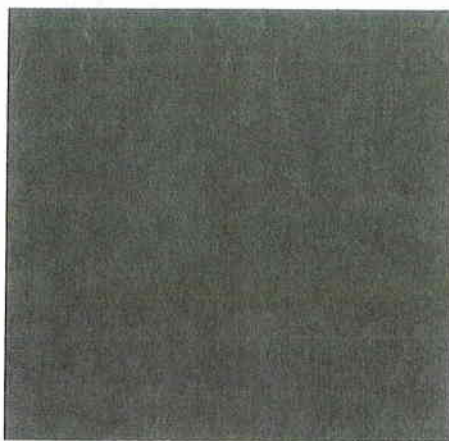
Covert Green



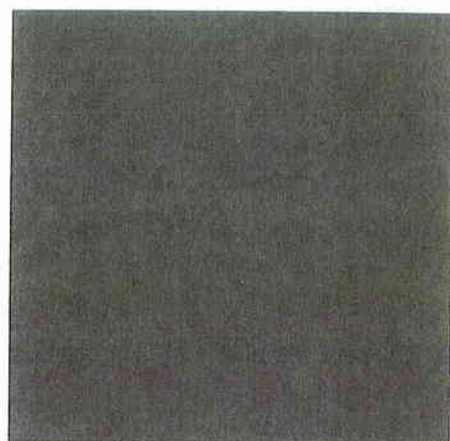
Shadow Gray



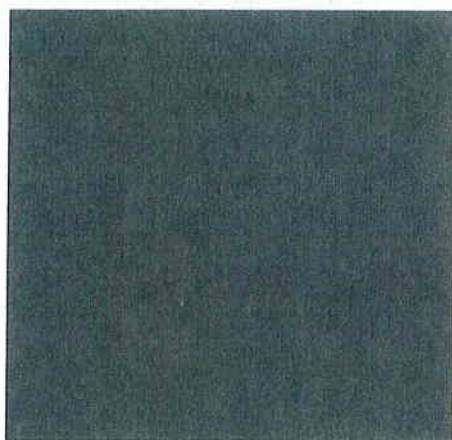
Juniper Green



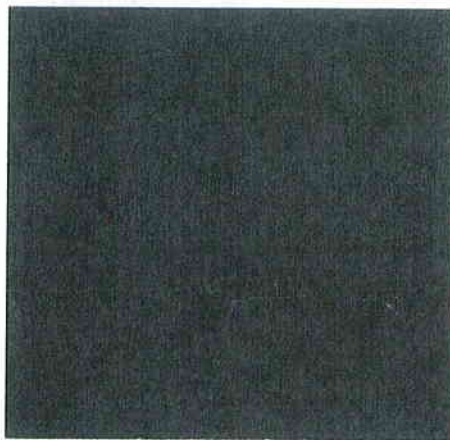
Shale Green



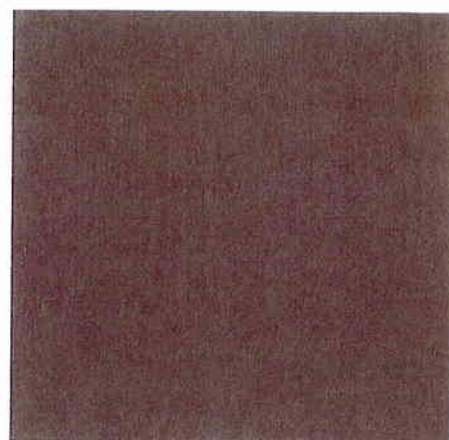
Sudan Brown



Beetle



Yuma Green



Carob Brown

The **Standard Environmental Colors** chart was developed to assist with color selection to minimize the visual contrast of a facility in the landscape.

In order to ensure color accuracy, use an original color chart to match paint. When matching the color chip, request the paint company to have their computer scan set on “natural light.” Compare the new paint sample to the color chip under indirect natural sunlight. Use semi-gloss paint, where appropriate, to enhance durability yet reduce reflectivity. Select colors a shade or two darker than the surrounding landscape to account for natural shadows, normal fading, and weathering.

Order **Standard Environmental Colors** charts by emailing your request to: Printed Material Distribution System (PMDS), BLM_NOC_PMDS@blm.gov or fax to 303-236-0845. Provide the quantity requested along with a contact name, physical address (no P.O. Boxes), and telephone number. For more information or questions, please call 202-785-6574.

Standard Environmental Colors

Selecting a Color

Observe the color scheme of the overall landscape. Lighter colors visually advance toward the viewer, and darker colors recede into the landscape regardless of the actual distance. Choose a color that repeats the darker, more recessive color scheme of the surrounding soils and/or vegetation. Re-evaluate from a distance to select a color that is slightly darker than the undisturbed landscape.

Color Choices

Carlsbad Canyon: Use where herbaceous vegetation is dominant in a grassland or other light colored landscape.

Covert Green: Use in a mixed shrub/grass steppe where the shrub component is dominant.

Shadow Gray: Use in heavy shrublands, deciduous forests, or open pine or juniper woodlands where dark gray trunks and branches darken the landscape color.

Juniper Green: Use in mixed coniferous/deciduous or deciduous forests.

Shale Green: Use in dense shrublands, coniferous or deciduous forests, and mixed shrub woodlands.

Sudan Brown: Use where dark soils give the landscape a brownish color or in forests where dark brown trunks and branches are dominant.

Beetle: Use in spruce/fir or other dark coniferous forests having a bluish hue.

Yuma Green: Use in dense coniferous or deciduous forests. Use when viewing from a distance or in areas that are typically in shadow.

Carob Brown: Use when exposed red soil and rock clearly dominate color in the landscape. Use another dark color if the dominance of red tones is diminished by vegetation.

Design Solutions

Proper color selection can dramatically mitigate adverse visual impacts. However, the design solution is more effective if used in combination with other mitigation such as: repeating the elements of form, line, and texture; proper siting and location; minimizing scale; and reducing unnecessary surface disturbance.



Observe the color scheme of the overall landscape



Narrow color choices and re-evaluate at a distance to select the best one



Consider season of use and critical view points



Select from the colors in the undisturbed landscape

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location- Contact the Moab Field Office, Natural Resource Protection Specialist at least 48-hours prior to commencing construction of location.

Spud- The spud date will be reported to BLM 24-hours prior to spud. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the Moab Field Office within 24-hours after spud, regardless of whether spud was made with a dry hole digger or big rig.

Water Zones- Water zones that are encountered while drilling are to be reported to the BLM. They shall be reported by depth and shall include as much information as is available, such as flow rate and water quality. Water zones may be reported in the daily drilling reports.

Daily Drilling Reports- Daily drilling reports shall detail the progress and status of the well and shall be submitted to the Moab Field Office on a weekly basis.

Oil and Gas Operations Reports (OGORs)- Production from this well shall be reported to Minerals Management Service (MMS) on a monthly basis.

Sundry Notices- There will be no deviation from the proposed drilling and/or workover program without prior approval. "Sundry Notices and Reports on Wells" (Form 3160-5) will be filed with the Moab Field Office for approval of all changes of plans and subsequent operations in accordance with 43 CFR 3162.3-2. Safe drilling and operating practices must be observed.

Drilling Suspensions- Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Moab Field Office. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

Undesirable Events- Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the BLM in accordance with requirements of NTL-3A.

Cultural Resources- If cultural resources are discovered during construction, work that might disturb the resources is to stop, and the Moab Field Office is to be notified.

First Production- Should the well be successfully completed for production, the Moab Field Office will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five business days following the date on which the well is placed into production.

A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the Moab Field Office. The Moab Field Office shall be notified prior to the first sale.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the Moab Field Office not later than thirty-days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. When requested, samples (cuttings and/or samples) will be submitted to the Moab Field Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the Moab Field Office. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered shut-in until the gas can be captured or approval to continue the venting/flaring as uneconomic is granted. In such case, compensation to the lessor (BLM) shall be required for that portion of the gas that is vented/flared without approval and which is determined to have been avoidably lost.

Produced Water- An application for approval of a permanent disposal method and location will be submitted to the Moab Field Office for approval pursuant to Onshore Oil and Gas Order No.7.

Off-Lease Measurement, Storage, Commingling- Prior approval must be obtained from the Moab Field Office for off-lease measurement, off-lease storage and/or commingling (either down-hole or at the surface).

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the Moab Field Office prior to initiating plugging operations.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Moab Field Office within thirty-days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Moab Field Office or the appropriate surface managing agency.

TABLE 1

NOTIFICATIONS

Notify Jack Johnson (435-259-2129) or Ben Kniola (435-259-2127) of the BLM Moab Field Office for the following:

2 days prior to beginning location and access construction (Kniola);

1 day prior to spud (Johnson);

50 feet prior to reaching the **surface** and **intermediate** casing setting depths (Johnson);

3 hours prior to testing BOPs (Johnson).

If the person at the above number cannot be reached, notify the Moab Field Office at 435-259-2100. If unsuccessful, contact the person listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab Field Office at 435-259-2100. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer

Office: 435-259-2117

Home: 435-259-2214



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Moab Field Office
82 East Dogwood
Moab, Utah 84532



3160
UTU84260
(UTY012)

Fidelity Exploration & Production Company
2585 Heartland Drive
Sheridan, Wyoming 82836

43-019-31607

Re: Rescinding Application for Permit to Drill Approval
Well No. Federal 23-23
NESW Sec. 23, T22S, R17E
Lease UTU84260
Grand County, Utah

JUL 19 2009

Gentlemen:

On March 6, 2009, an Application for Permit to Drill (APD) was approved for the above referenced location on oil gas lease UTU84260 whose primary lease term was projected to expire June 30, 2009. No known activity has transpired at this location.

Absent actual drilling operations at the end of the primary lease term, lease UTU84260 expired effective June 30, 2009. Without the presence of an authorized oil and gas lease the referenced well cannot be drilled, therefore, approval to drill the Federal 23-23 well is rescinded.

Should you have any questions, or wish to discuss this matter, please contact Marie McGann of this office at 435-259-5040.

Sincerely,

/s/ A. Lynn Jackson

Assistant Field Manager
Division of Resources

cc: State of Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801
Fidelity Exploration & Production Company
1700 Lincoln Street, Suite 2800
Denver, Colorado 80202
MMcGann:mm:7/9/09

RECEIVED

JUL 16 2009

DIV. OF OIL, GAS & MINING



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 7, 2010

Stephanie Masters
Fidelity Exploration & Prod. Co.
2585 Heartland Drive
Sheridan, WY 84260

Re: APD Rescinded – Federal 23-23, Sec. 23, T. 22S, R. 17E
Grand County, Utah API No. 43-019-31607

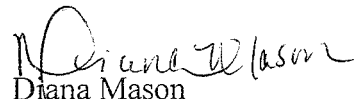
Dear Ms. Masters:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on February 10, 2009. On January 7, 2010, you requested that the division rescind the state approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 7, 2010.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Moab

